

MKHONDO LOCAL MUNICIPALITY

2018/19



DARFT ANNUAL REPORT
2018/19

2018/2019

This Annual Report is drafted in terms of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

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COMPONENT A: EXECUTIVE MAYOR’S FOREWORD

1.1 EXECUTIVE MAYOR’S FOREWORD



Indeed, it is with the greatest pleasure to present to you, as the community and all relevant stakeholders, the Mkhondo Local Municipality’s Annual Report for the 2018/19 Financial Year. This is a report detailing the overall achievements and challenges experienced in the financial year of 2018/19, in compliance with the legislative requirements set out in the Municipal Financial Management Act 56 of 2003, Chapter 6 Section 46 of the Local Government Municipal Systems Act 32 of 2000 and section 152(i) (a) of the Constitution of the Republic of South Africa (Act 108 of 1996).

This report is compiled against a backdrop of both global and national economic challenges, and is a vivid expression of the efforts undertaken by ourselves as the Council, in collaboration with the administrative management of the various municipal departments, to ensure the maximum prioritization of service delivery to our people.

We have, in this financial year, remained committed to our core mandate which is to deliver quality and sustainable services to our community that not only enhance economic viability but also ensure a better life for our people. It is in this regard, that I am pleased to report on, amongst others, a few milestone projects which have advanced our cause as an institution. These include electrification, water and sanitation, construction of access roads and taxi/bus routes and sport facility projects that have been undertaken in various wards of the municipality, in rural areas in particular.

These projects have played a pivotal role in addressing historical challenges of development, particularly in rural areas where they are indeed needed most. They have also been critical in combating issues of unemployment, particularly in relation to the youth, women and the disabled. Noting the ever rising numbers of unemployment facing our community, as this administration, we have remained committed to ensuring that we make the necessary interventions in our efforts to curb the scourge of unemployment in our community.

It is encouraging to report that the municipality has been able to facilitate the creation of at least 2171 job opportunities, through programmes such as the CWP, EPWP, Phez'komkhono and MRTT. This has done enough to not only provide a job opportunity but also a skill and training opportunity in various trade skills such as carpentry, mix farming, bricklaying/plastering, tiling and electrical training, for a significant number of young people.

We acknowledge that this is not sufficient in relation to the great challenge of eradicating unemployment and the mammoth tasks of alleviating poverty in our community but we remain committed to intensifying our efforts in the coming financial year.

We have made significant strides on issues related to local economic development. Council has, in this financial year, adopted the municipal Local Economic Development Strategy which is an important document that details the path that we intend to embark on to grow the local economy through strategic objectives, and to promote and encourage the economic participation of our people in the local economy.

Various programmes such as capacity building workshops and market exhibitions have been hosted by the municipality as a means of skills training and empowerment to SMME's, Co-ops and emerging entrepreneurs. We have also managed to give financial and material support to at least 10 SMME's and Co-Ops in this financial year alone. These initiatives have been done in collaboration with some of our strategic partners from both public and private sectors such as the Gert Sibande District Municipality and the NYDA, amongst others. We are committed to maintaining such strategic relations with our various partners and look forward to building further relations with others.

This is crucial in the achievement of our strategic goal of being a catalyst in the promotion and support of our local economy and business initiatives, which are fundamental role-players in our pursuit of alleviating poverty and unemployment in our community.

Since the dawn of our democratic dispensation, government has played a critical role in redressing the spatial development inequalities of the apartheid past. This has involved the integration and inclusivity of spatial development programmes, which are crucial elements of social cohesion. It is, therefore, comforting and encouraging to report that, as this administration, we have made significant milestone advances with regard to spatial development that have seen the approval, establishment and development of 4 new townships in this financial year.

We have also been able to achieve the review of the Spatial Development Framework together with the Piet Retief Land Use Scheme of 1986. These are significantly historic achievements in the sense that both documents were not only outdated but also, because their content, failed to speak to the democratic dispensation of today. It is therefore a milestone achievement of which we are very proud of achieving. Human settlement continues to be a very important element of our new dawn/democracy, not only as a redress of the apartheid legacy that dispossessed millions of our people through legislation such as the Native Land Act, but also, more importantly, as a pivotal means of addressing the triple challenges of inequality, poverty and unemployment.

In this financial year, we have begun the development and construction of 577 RDP houses, with beneficiaries from across the land and breadth of our vast municipality, in rural areas in particular. We look forward to working harder to extend this programme of great importance to benefit even more of our people in the next financial year.

We acknowledge the financial difficulties and challenges encountered by the municipality during the 2018/19 financial year and are committed to making the necessary interventions to address these challenges. However, it is of utmost importance to note that we have made significant advances in financing the Eskom debt, which was inherited by this administration from the previous even though we are not yet out of the deep waters, we are swimming towards the right direction.

Collection of rates and taxes continues to be a disabling challenge that does very little to help the municipality out of its financial troubles. This means of revenue is of critical importance for the financial stability and sustainability of our municipality and the performance of its core functions and we, therefore, encourage all residents of Mkhondo to make the required payments of their rates and taxes timeously. Service delivery is, indeed, a priority of this administration and we urge all to play their part in this regard.

In closing, I would like to thank all stakeholders, which include Council, the Administrative Management, Employees and the Community of the Mkhondo Local Municipality for their individual and collective efforts during the 2018/19 financial year. It has not been an easy journey, yet we have pulled through thus far. We remain committed and more inspired to work harder to improve and better the lives of the people of Mkhondo.

God Bless Mkhondo Local Municipality!!!
I thank you,

Vusi Motha
EXECUTIVE MAYOR

God Bless You!

HON, CLLR V.M MOTH

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S FOREWORD



The municipality has, in the 2018/19 financial year, remained committed to its core objective of prioritizing service delivery, and the 2018/19 Annual Report is a clear reflection of the municipality's performance and achievements, which are in line with the Back to Basics principles.

We have, as an institution, devoted all our efforts into ensuring that the Integrated Development Plan serves as the compassing document for all our priorities and activities for the year under review, and that the Service Delivery Budget Implementation Plan gives quantitative direction in this regard.

The municipality, in the year under review, had budgeted for an income of R612,164,705 and total expenditure amounting to R550,999,367. We had however, by the end of the financial year realized an actual income of R314,928,226, exclusive of capital grants, and total expenditure that amounted to R766,657,354. Capital grants totaled an amount of R353,463,074 that, when added to the actual income for the year, resulted in a deficit of R98 266 054.

The 2018/19 financial year saw the municipality coming from rather difficult financial conditions in the previous financial years which informed the adoption and implementation of a cost containment strategy, in line with the Local Government Municipal Finance Management Act 2003: Municipal Cost Containment Regulations 2019, in a concerted effort to reduce operational costs.

The Mkhondo Local Municipality has, in the 2018/19 financial year, remained committed to providing quality infrastructure, with a targeted bias towards the poor, optimizing economic benefit by means of creating job opportunities and ensuring the effective and efficient utilization of allocated funds.

Performance management and monitoring has played a critical role in ensuring the sufficient, effective and efficient delivery of quality services in the communities that we serve. This has allowed the municipality to measure and monitor service delivery projects and activities from an administrative perspective through the alignment of its

Key Performance Areas and the formulation of smart, measurable, attainable, relevant and time-bound Key Performance Indicators.

Public participation and engagement continues to be the cornerstone of our activities, programmes and activities. As the Mkhondo Local Municipality, we have encouraged our communities to constantly and consistently participate in the decision-making, implementation and monitoring processes of municipal projects, services and programmes. Ward participatory systems such as community consultation meetings, council events, stakeholder forums, ward committees and war rooms have instrumental in this regard.

We did, however, encounter challenges in the financial year under review that acted as hindrances in the complete execution of our legislated mandate. Primary amongst these, was the issue of illegal electricity connections, which have not only had an impact on revenue collection but have also negatively impacted service delivery acceleration. The municipality has taken measures in an effort to curb this challenge through its Law Enforcement Unit that has been tasked with identifying and disconnecting illegal connections amongst other things. We, therefore, encourage our community at large to consistently make payments of their rates and taxes so as to avoid the unnecessary inconvenience and expense that comes with disconnection of electricity. Cooperation, in this regard, ensures the municipality the capacity to advance and extend service delivery efforts.

Land and housing have continued to be pressing issues amongst members of our community, and the municipality has made significant attempts in trying to alleviate these national challenges by approving the establishment of new townships through its Town Planning and Development Department. This has gone hand-in-hand with the facilitator's role played by the department's Human Settlement unit and the Provincial Department of Human Settlement, who have made great advances in allocating decent quality housing for the most vulnerable in our communities.

Indeed, the 2018/19 financial year has seen us swimming just above the water and we acknowledge that there are greater efforts to be made by all stakeholders if we are to effectively achieve our envisaged vision which is to be a model municipality of excellence. We also remain committed to delivering quality and sustainable services, as entrenched in our mission statement, which will enhance economic viability and a better life for our community.

As the accounting officer, and on behalf of the administration of the Mkhondo Local Municipality, I would like to express our profound gratitude to the political leadership provided by the Executive Mayor Hon. Cllr Vusi Motha and his executive council. Their collective leadership, support and oversight have indeed gone a long way in ensuring that we, as the administration, are able to carry out our given tasks and responsibilities with the required efficiency and effectiveness.

Together, we are committed to making the necessary efforts to guarantee accelerated quality service delivery and the expeditious discharge of our legislated mandate.

“Service Delivery is our Priority”

Mr. M Kunene
Municipal Manager

1.3 VISION, MISSION AND CORE VALUES

VISION

A model municipality of excellence

MISSION

Committed to deliver quality and sustainable services that will enhance economically viable and better life for our community.

MUNICIPAL CORE VALUES

Excellence

Honesty

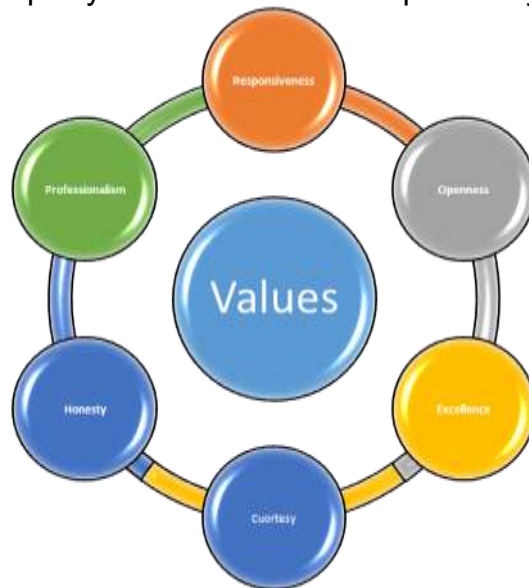
Openness

Responsiveness

Professionalism

Courtesy

Mkhondo Local Municipality's activities are underpinned by the following core values:



1.4 MKHONDO DEMOGRAPHICS

1.4.1 HISTORY OF MKHONDO LOCAL MUNICIPALITY

Mkhondo Local Municipality is Located in the south-eastern corner of Mpumalanga and the Municipality is bordered by Chief Albert Luthuli Municipality towards the North, Msukaligwa Municipality towards the North western, and The Kingdom of Swaziland towards the east, uPongolo Local Municipality and eDumbe Municipality towards the South (KwaZulu Natal Province) and Dr Pixely Ka Isaka Seme Municipality towards the South Western. The municipality is located on the N2 (National Road) where the R543 (Volksrust-Swaziland) and R33 (Vryheid-Amsterdam) intersect. N2 bisects the municipality, which links with the N17 from Ermelo. The N2/N17 is a prominent link between Gauteng Province, Swaziland and KwaZulu Natal (Richard's Bay and further to Durban). The N2/N17 is recognized as strategic roads and freight corridors.

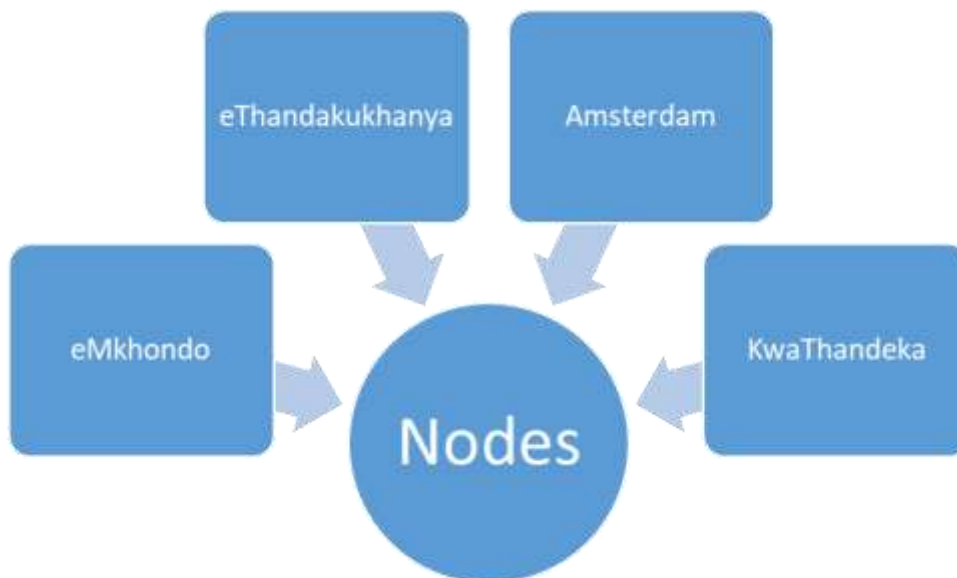
The Municipality is made up of nineteen (19) wards covering 4 868 square kilometers central from Maputo, Swaziland, Durban, Nelspruit, Johannesburg and Pretoria (within ± 300 km radius).

The municipality is demarcated as MP303 in terms of the Municipal Demarcation Board. It falls within Gert Sibande District Municipality which is one of the three District Municipalities in Mpumalanga Province; the other District Municipalities are namely Nkangala District Municipality and Ehlanzeni District Municipality. Ehlanzeni District Municipality has the most population in Mpumalanga Province (1 754 931 people) followed by Nkangala District Municipality by 1 445 624 people and Gert Sibande District Municipality by 1 135 409 people (*Statssa, 2016*).

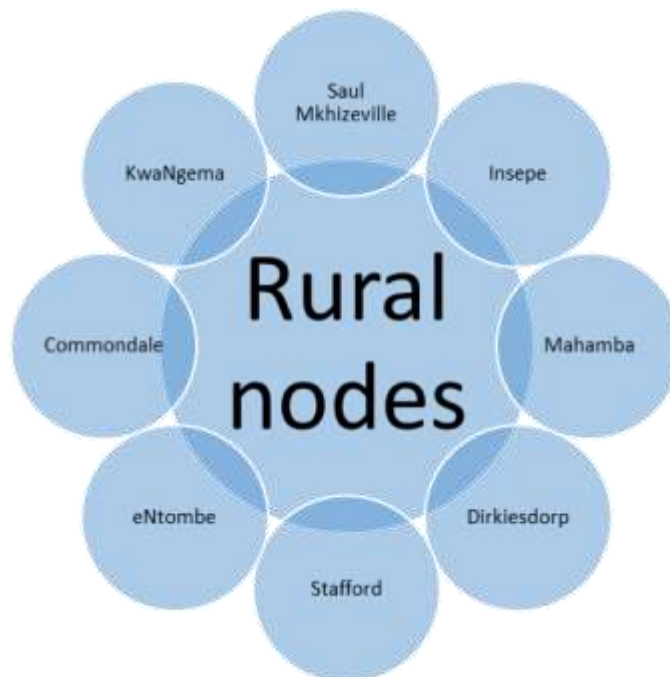
The Mkhondo Local Municipality falls within the 25 km radius identified for the KZN/MP trans boundary development initiative, which includes amongst others Mpumalanga Province local municipalities (Mkhondo Local Municipality and Pixley Ka Isaka Seme Local Municipality) and Kwa Zulu Natal Province Local Municipalities (eDumbe Local Municipality, Uphongolo Local Municipality, Emadlangeni Local Municipality and Newcastle Local Municipality).

1.4.2 NODAL POINTS

Mkhondo Local Municipality includes the following urban nodes:



The Municipality includes the following rural nodes/settlements:



The Municipality comprises of forestry plantations and much of its economy originates from this source. Mondi, Sappi, TWK and Komati Land Forests are the major companies that lead the forestry industry in the municipality. Mkhondo Local Municipality is known for wood processing, furniture, manufacturing, and coal briquettes manufacturing. A number of timbers producing companies are located within the municipality, including Mpact, Tafibra and PG Bison and Normandien which are national

businesses. Large-scale agriculture is limited in the municipality due to the extensive use of land for forestry.

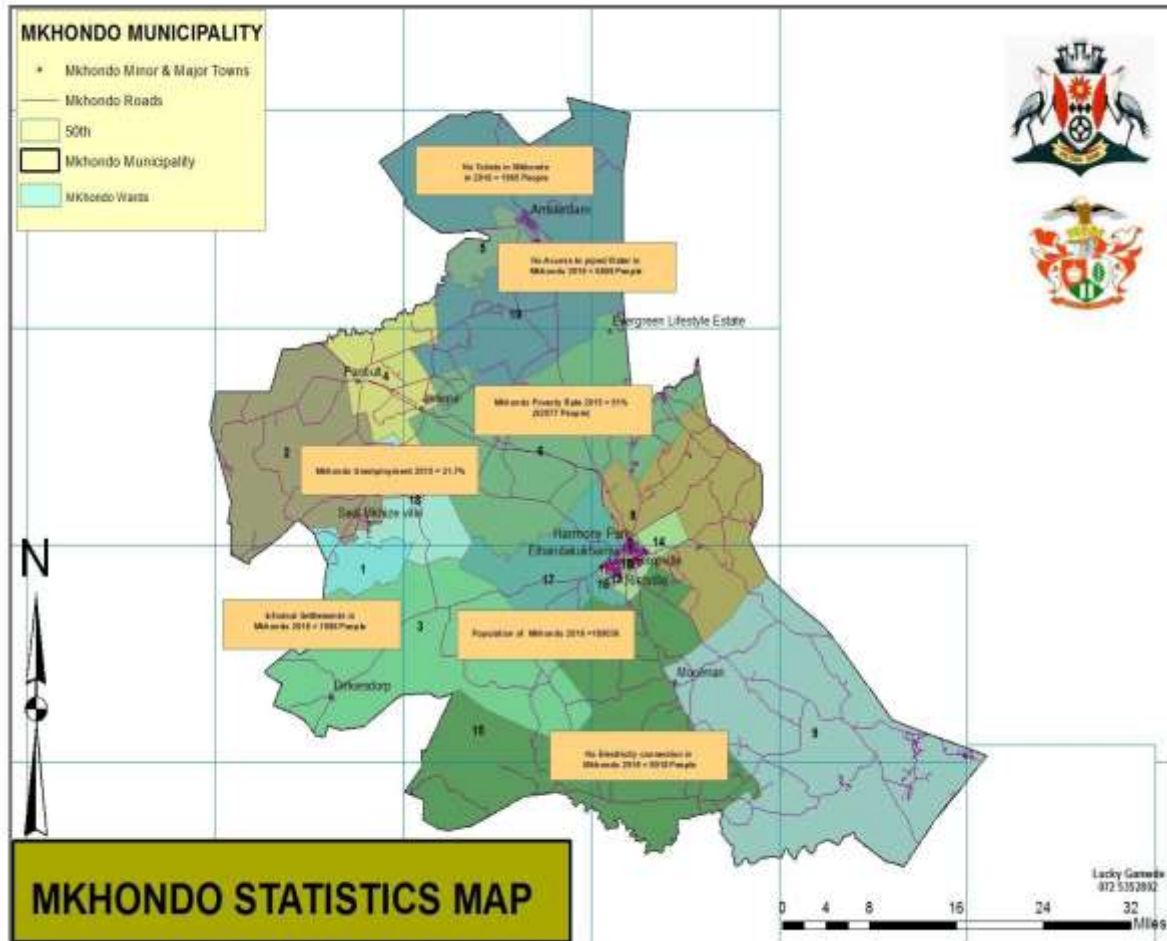
Forestry, mining and subsistence farming are the main economic factors within the municipality. There are two major mining companies within Mkhondo Local Municipality (Jindal and Kangra Coal Pty (Ltd)). Mkhondo Local Municipality ranks low in terms of tourism statistics compared to other local municipalities in Mpumalanga. However, there is a lot of tourism potential within the municipality, with the South African Heritage sites which lie within the municipality namely the Entombe Battlefield, Rooikraal, Confidence, Kalkoenvlakte and the Heyshope Dam. The Heyshope Dam is located east of the municipality (Saul Mkhizeville/KwaNgema Area). It is the only other main tourist fascination in the municipality despite the numerous guest houses and 'bed & breakfasts' within the municipality. The Jabulani Agrivillage has great tourism potential with proposal of a Resort near the Jabulani Agri-village dam.

1.4.3 DEMOGRAPHICS ANALYSIS

Mkhondo Local Municipality's population has increased from 171 982 in 2011 to 189 036 in 2016. The population growth rate between 2011 and 2016 is 2.0% annually. The number of people residing in 'urban' Mkhondo and 'rural' Mkhondo has remained the same between 2011 and 2016, with 96 693 people in urban areas and 96343 in rural areas. Mkhondo Local Municipality is mostly dominated by African black people, followed by coloured people, indian or Asian and white people from 1996 to 2016. It is noteworthy that in 2016 most of the immigrants in Mkhondo were recorded as from Swaziland (1823 people) followed by Zimbabwe (120 people); Mozambique (116 people) and Lesotho (45 people). The emigrants to neighbouring countries in 2016 are mostly to Swaziland (111) followed by Mozambique (30).

According to Stats SA (2016) the number of persons between the ages of 0 to 21 years, without parents has decreased from 7112 in 2011 to 4602 in 2016. The number of people with 'no schooling' has declined from 2001 to 2011, while those with matric has increased. According to the Final MLM Draft SDF (2016) the settlements with the lowest education level are Ngema Tribal Trust, Mkhondo Non-urban, Saul Mkhizeville and KwaNgema. These are the settlements that are located in close proximity to traditional areas or informal settlements with the highest education levels are eMkhondo, Insepe and Amsterdam (UP Enterprise, 2016).

1.4.4 MKHONDO STATISTICAL MAP:



1.4.5 POPULATION DISTRIBUTION

According to Stats SA (2016) the population of Mpumalanga Province as a whole has increased. The population of Gert Sibande District Municipality has increased from 1 043 194 in 2011 to 1 135 409 in 2016 and that of Mkhondo Local Municipality has also increased (from 171 982 in 2011 to 189 036 in 2016). It is evident that the Gert Sibande District recorded an increase in population of 92 216 people between 2011 and 2016. It is noteworthy that Mkhondo Local Municipality grew at an annual rate of 2.0 % during the 2011 to 2016 period. This shows that the Gert Sibande District is ever-growing in population, between 2001 and 2011, there was an increase of +152 496 people. The Govan Mbeki Local Municipality had the most increase in the number of people between 2011 and 2016.

Mkhondo Local Municipality Population Distribution

	2011	2016
Population	171 982	189 036
Number of House Hold	37 433	45 595
Households living in RDP House	11 733	
Households in Shacks within Informal Settlements	642	508

Population 2001 vs 2011 vs 2016

Description	Census 2001	Census 2011	Community Survey 2016
Mkhondo Local Municipality	143 077	171,982	189 036

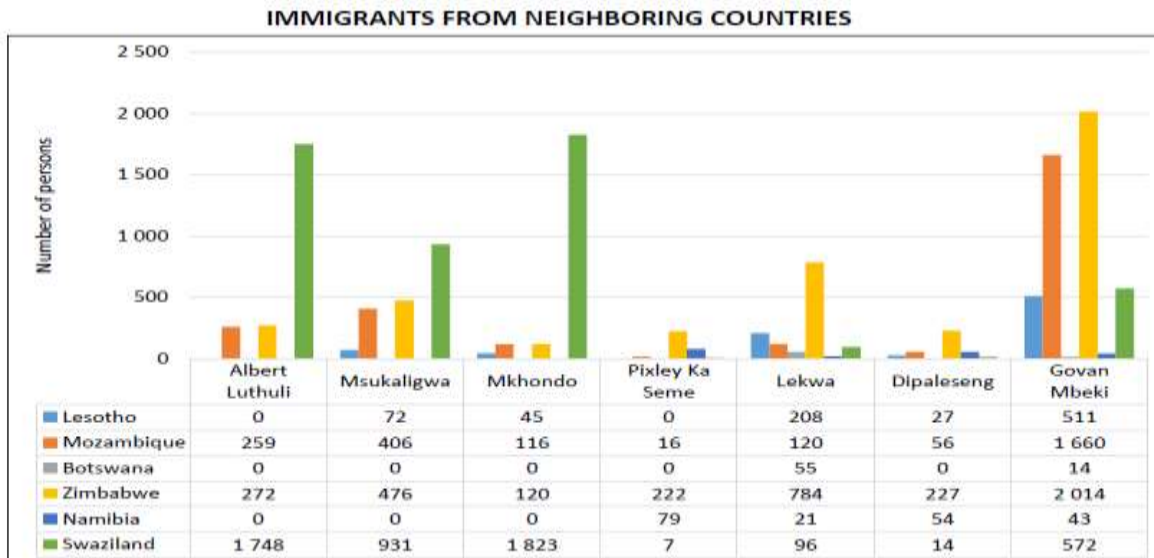
Sources: STATS SA Community Profile (2001, 2011 and 2016)

Mkhondo Local Municipality Population per Ward:

Ward Number	Villages/Town	Census 1996	Census 2001	Census 2011
Ward 1	Saul Mkhizeville (Mkhize Village, New Stand)	6 345	4 754	10 133
Ward 2	Saul Mkhizeville (Mabilisa, Masihambisane)	11 824	8 088	16 446
Ward 3	Dirkiesdorp/KwaNgema South	7 878	15 925	13 006
Ward 4	Insepe	6 090	10 343	5 862
Ward 5	KwaThandeka, Winnie Mandela	6 032	9 501	12 188
Ward 6	Rustplaas	6 003	9 759	8 277
Ward 7	eMkhondo Town	6 853	12 303	6 083
Ward 8	Maphepheni/Ajax	8 690	12 262	9 096
Ward 9	Moolman/Sulphur Springs	8 431	14 475	14 030
Ward 10	Thandakukhanya (Kempville, Retiefville & S'godiphola)	4 189	4 754	6 752
Ward 11	Thandakukhanya (Eziphunzini, Marabastad, Magadeni, Sbetha)	4 362	2 849	12 321
Ward 12	Thandakukhanya (Long homes, Mafred, Sbetha, Richardsbay)	5 660	4 699	6 384
Ward 13	Thandakukhanya (Sbetha, Part Eziphunzini, Part Mangosuthu, Zone 5, Part of Phosa village)	4 468	4 634	7 451
Ward 14	Harmony Park (Mangosuthu)	3 009	10 997	9 395
Ward 15	Entombe	10 411	17 544	8 454
Ward 16	Mangosuthu/Phola Park			5 700
Ward 17	Ezinkonjaneni/Phoswa Village			6 884
Ward 18	Saul Mkhizeville (Esibovini, Masihambisane east)			3 404
Ward 19	Amsterdam, Thokozani			10 120
Total (Mkhondo Local Municipality)		106 248	142 884	171 982
DC30: Gert Sibande District Municipality			900 010	1 043 194

Sources: STATS SA

Immigrants from neighboring countries:



According to Stats SA (2016) most of the immigrants in Mkhondo are from Swaziland (1823 people) followed by Zimbabwe (120 people); Mozambique (116 people) and Lesotho (45 people).

1.4.6 AGE AND SEX STRUCTURE

It is noteworthy that there are more women (52%) than men (48 %) in Mkhondo. There is a decline in a number of people aged 14 years and younger

Age and Sex Structure 2011 vs 2016

AGE	2016		2011	
	Male	Female	Male	Female
0 – 4	11 703	11 616	10 949	10 737
5 – 9	10 297	10 423	10 423	10 657
10 – 14	10 476	10 956	10 113	10 043
15 – 19	10 424	10 845	9 980	9 946
20 – 24	9 311	9 641	8 452	9 006
25 – 29	8 706	9 829	7 192	7 371
30 – 34	6 059	6 943	5 145	5 406
35 – 39	4 952	5 411	4 562	5 079
40 – 44	4 156	4 687	3 822	4 350
45 – 49	3 742	4 449	3 093	4 180
50 – 54	2 775	3 566	2 449	3 343
55 – 59	2 390	3 048	2 060	2 768
60 – 64	2 208	1 990	1 512	2 064
65 – 69	1 205	1 847	905	1 552

	2016		2011	
70 – 74	791	1 511	741	1 368
75 – 79	479	1 089	362	743
80 – 84	126	444	273	665
85+	378	562	232	439
Total	90 178	98 858	82 265	89 717

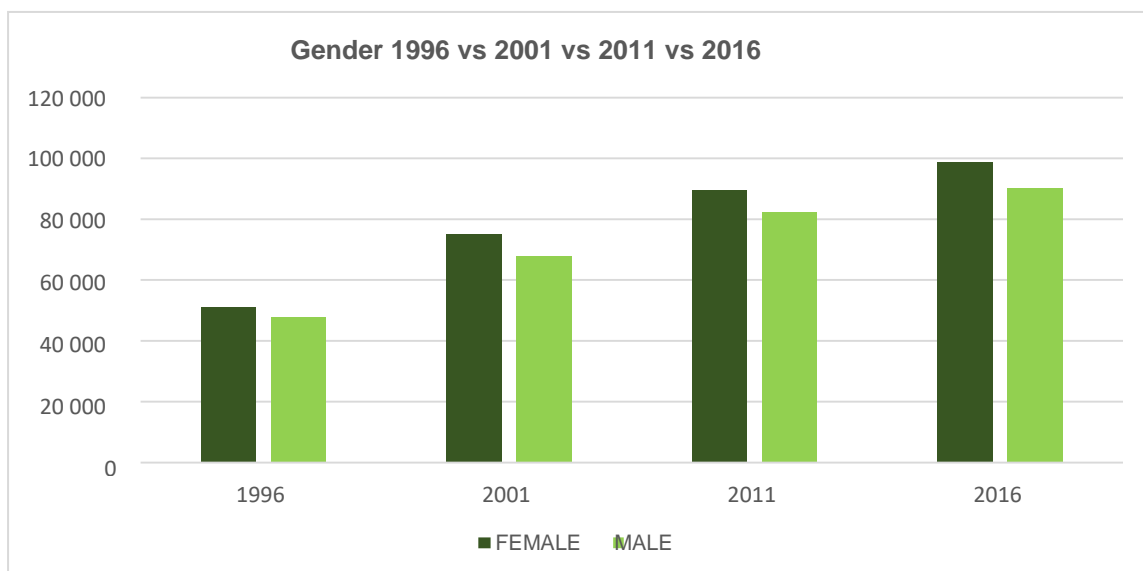
Sources: STATS SA 2016

Gender 1996 vs 2001 vs 2011 vs 2016

GENDER	1996	2001	2011	2016
FEMALE	51 167	75 163	89 717	98 858
MALE	47 800	67 912	82 265	90 178
TOTAL	98 967	143 075	171 982	189 036

Sources: STATS SA 2016

Gender statistics



The census that was conducted by the Stats SA in 2011 revealed that Mkhondo is constituted by more than 1 755 persons with disabilities. This figure poses direct challenges to the Municipality and government.

Disability

DISABILITY	1996	2001	2011
MALE	48%	47%	48%
FEMALE	52%	53%	52%

Sources: STATS SA 2011

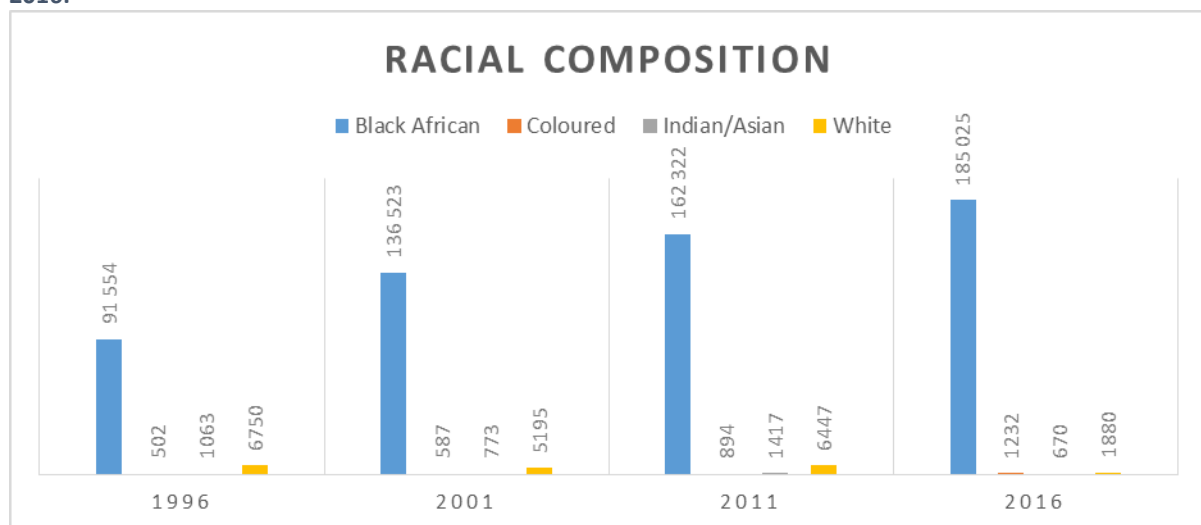
Table 1: Sex ratio (Males per 100 females)

	1996	2001	2007	2011	2016
NO. OF MALES PER 100 FEMALES	94	90	86	92	91

1.4.7 RACIAL COMPOSITION

The population in Mkhondo Local Municipality is predominantly Black African. The Indian/Asian and White racial groups have seen a decline from 2011 to 2016 (Stats SA, 2016). In areas such as Amsterdam, there has been a shift in racial composition, with the white population declining from 37,4% of population in 2001 to 7,4% in 2011 and the black population increasing from 60,1% in 2001 to 90,4 % in 2011. In eMkhondo there has been an increase in the Indian/Asian racial group between 2001 and 2011 (UP Enterprise, 2016; MLM SDF Final Draft, 2016).

Racial composition 1996 vs 2001 vs 2011 vs 2016:



1.4.8 SOCIO ECONOMIC STATUS

The purpose of this sub-section is to provide an assessment of the economic activities within the leading economic sectors in order to determine the sectors in Mkhondo Local Municipality economy that have a comparative advantage. Table 1 illustrates the leading sectors.

Average annual economic growth rate for Mkhondo at 3.3% over the period 1996 to 2016 - forecasted average annual GDP growth for Mkhondo for 2016-2021 more or less 2.0% per annum in line with national and provincial growth expectations. Importantly, industries/sectors; trade, community services, manufacturing, finance, mining and even transport. Contribution to the Mpumalanga economy is more or less 2.6%; it is 10th largest economy in the province – 10% share of the Gert Sibande economy and

dominant in agriculture. The size of the economy in 2016 was estimated at almost R8 billion in current prices. Tourism expenditure in the area as a % of the local GDP at 3.5% which is relatively low - tourism spending is more than R300 million per annual.

Municipal area	% contribution to Mpumalanga economy 2016	Average annual economic growth 1996-2016	Average annual economic growth 2011-2016	Average annual economic growth 2016-2021
Mkhondo	2.6%	3.3%	2.2%	2.0%

Sector Contribution	GDP	Employment by Industry
Agriculture:	10.2%	6.5%
Mining	11.9%	9.1%
Manufacturing	12.9%	8%
Utilities	4.5%	4.3%
Construction	3.1%	9.5%
Trade	21.2%	22.1%
Transport	8.7%	4.7%
Finance:	10.8%	13.0%
Community Services	16.8%	16.9%
Private Household	5.9%	5.9%

1.4.9 EDUCATION INDICATORS

According to the 2016 CS of Stats SA, the population in Mkhondo aged 20+ and completed grade 12, increased from 33 673 in 2011 to 43 024 (increase of 9 351) in 2016 – an increase of 27.8% in the relevant period. Mkhondo's grade 12 pass rate improved from 66.1% in 2016 to 76.7% in 2017. The area achieved an admission rate to university/degree studies of 29.8% in 2017. The challenge is to accommodate the educated young people in the area - inadequate economic opportunities – matric not a “ticket” for a job in the labour market. Provision of adequate educational, recreational infrastructure and skills development activities to meet the needs of the community

1.4.10 UNEMPLOYMENT

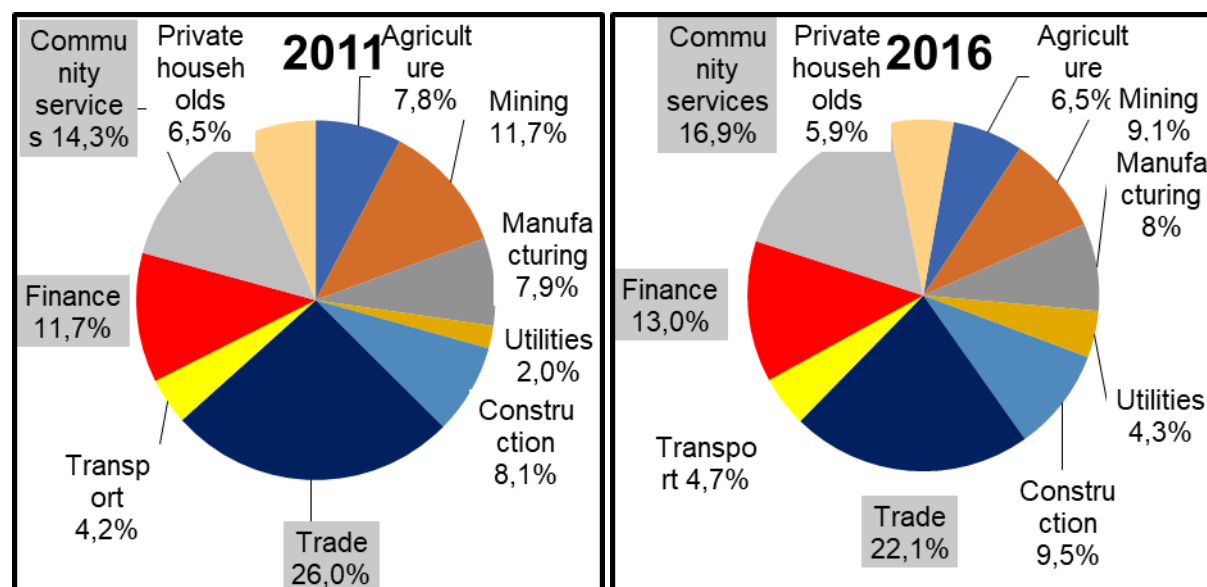
The unemployment rate of Mkhondo decreased from 35.9% in 2011 to 31.5% in 2016. Mkhondo's unemployment rate was the 8th highest among all the municipal areas of Mpumalanga. The unemployment rate for females is 37.9% and that of males is 26.3%.

Youth unemployment rate according to the Census figures 44.6% - there is a notable challenge of a very high unemployment rate of females.

The largest employing industries in Mkhondo are trade, community services and finance – they account for more than 50% of the total employment. Heavy reliance on the trade

industry for employment creates an environment where you will also find many informal sector people.

1.4.11 EMPLOYMENT INDUSTRY



1.4.12 POVERTY ASPECTS

The share of population in Mkhondo below the so-called lower-bound poverty line (of Stats SA) deteriorated from 53.7% in 2011 to 56.6% in 2016. In 2016, Mkhondo's share of population below the lower-bound poverty line was the second highest (unfavourable) among the municipal areas. The number of people below the lower bound poverty line was high at 104 395 in 2016.

According to the 2016 CS of Stats SA, the so-called poverty headcount (multi-dimensional) of Mkhondo improved however, from 15.8% in 2011 to 11.9% in 2016 but was the highest in the Province – the so-called poverty intensity increased from 41.5% to 43.7% in the same period. High poverty level is one of the big challenges in Mkhondo. Improved Human Development Index (HDI) from 0.48 in 2011 to 0.53 in 2016. Poverty drivers according to the 2016 CS of Stats SA are unemployment and other factors such as the low level of education.

POVERTY ASPECTS	POVERTY RATE (LOWER BOUND)	POVERTY HEADCOUNT	HUMAN DEVELOPMENT INDEX
2011	53.7%	15.8%	0.48
2016	56.6%	11.9%	0.53
Poverty numbers	104 5		

1.4.13 BASICS SERVICES AND BACKLOGS

In general, good improvement with household services in Mkhondo between 2011 and 2016 according to the CS of Stats SA - concern about quality & waste water services. Number of households increased from 37 433 in 2011 to 45 595 in 2016 – an increase of more than 8 000 households – household size declining from 4.6 to 4.1 in the same period. Number of informal dwellings improved from 1 150 in 2011 to 1 086 in 2016 – 2.4% of the households living in informal dwellings. The number of households without access to piped water is 6 805 or 15% of households in 2016. Number of households without access to flush/chemical toilets are 53.3% – 24 283 households without these toilets. Households with no connection to electricity is – 9 018 or 19.8% of households.

BASIC SERVICES								
Year	Piped water backlog		Number & trend in flush/chemical toilet		No electricity numbers and trends		Informal dwelling numbers and trends	
	Number of households without access	Share of total households	Number of households without flush/chemical toilets	Share of total households	Number of households not connected	Share of total households	Number of households	Share of total households
2011	8039	21.6%	20 812	55.6%	12 315	32.9%	1 150	3.1%
2016	6805	14.9%	24 283	53.3%	9 018	19.8%	1 086	2.4%

1.5 ORGANISATIONAL DEVELOPMENT PERFORMANCE OVERVIEW

The municipal organization structure provides for 769 permanent positions. At financial year end 486 positions were filled with a staff turnover of 5%. All new appointments are made taking into consideration the implementation of the Employment Equity Act 55, 1998 and according to the demographic profile of the municipality; African employees constitute 96.71%, Coloured 1.44%, Asian 0.41% and White employees are at 1.44 % of the total workforce at the end of the financial year. Male employees constitute 60.70% whilst female employees are at 39.30 %.

The Municipal Manager is the head of the organization supported by General Managers. The organizational structure provides for five General Managers, each responsible for a service delivery area. One Senior Manager supports the Municipal Manager on internal audit whilst the General Manager: Financial Services is supported by four Senior Managers to perform the financial functions as per the Municipal Systems Act (MSA) and Municipal Finance Management Act (MFMA). The General Manager: Technical Services is further supported by the Senior Manager: Project Management to implement MIG projects.

STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP. Except for the	

	legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget / IDP implementation period	May
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	July
3	Finalise the 4th quarter Performance Report for previous financial year	July
4	Submits Annual Financial Statements and Annual Performance Report to Auditor General	August
5	Auditor General audits Annual Financial Statements and Performance Information.	September – October
6	Municipalities receive and start to address the Auditor General's findings	October
7	Receive management letter and provide final comments on findings	November
8	Auditor-General submit audit opinion	
9	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
10	Audited Annual Report is made public and representation is invited	February
11	Oversight Committee assesses Annual Report	
12	Council adopts Oversight Report	March
13	Council table next financial year Budget / IDP and invite public representation	April
14	Oversight Report is made public	April
15	Oversight Report is submitted to relevant national & provincial stakeholders and legislature	
16	Council approve next financial year Budget / IDP	May
17	Make public approved Budget and IDP	June
18	Finalize SDBIP and Performance Agreements for next financial year	June
19	Make public SDBIP and Performance Agreements	July

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

Section 151 (3) of The Constitution of the Republic of South Africa states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

Mkhondo Local Municipality is a category B municipality situated in the Gert Sibande District Municipality of the Mpumalanga Province. The political structure of Mkhondo Local Municipality is comprised of a municipal council consisting of 38 Councilors of which 19 are ward councilors and 19 proportional representation councilors chaired by the Speaker. The municipality has an executive mayoral system consisting of an Executive Mayor and three mayoral committee members.

The Municipal Manager is the administrative head and acts as a link between the politicians and the administration. The Municipal Manager is supported by the following section 56 Managers appointed in terms of the Municipal Structures Act:

- ✓ General Manager Planning and Development
- ✓ General Manager Technical Services
- ✓ General Manager Community Services
- ✓ General Manager Financial Services
- ✓ General Manager Corporate Services

The position of Speaker is full-time, and takes responsibility for the running of council meetings. The Speaker is the chairperson of the council.

The Office of the Chief-Whip is established to create synergy and to maintain discipline among councilors from various political parties. The Role of the Chief-Whip of council covers both the political and administrative domains of council with emphasis on the political aspect. The Chief Whip deals with the well-being and to monitor effectiveness whippery committees.

The Council meetings are governed in accordance to the approved rules of order. Council has an executive mayoral system with Section 79 and 80 Committees. Those committees provide general oversight and monitor the activities in the municipality over both the administrative and executive arms of the municipality.

The section 79 Committees are chaired by none executive councilors who are not members of the mayoral committee. Section 80 committees assist and report to the Executive Mayor. The Executive Mayor has appointed the mayoral committee members as chairpersons for each of the committees.

The Municipality has established an Audit Committee. The Audit Committee meets a minimum of four times per year and is an independent advisory body that advises council, political office-bearers, the accounting officer and the management of the municipality on matters relating to good governance and internal controls in particular, namely; internal audit, risk management, accounting policies and adequate reliable and accurate financial reporting and information, performance management, effective governance. The Division of Revenue Act and provides comments to the Municipal Public Accounts Committee (MPAC) and Council on the Annual Report.

MPAC is a section 79 oversight committee which comprises of non-executive councilors, with the specific purpose of providing oversight over the executive functionaries of Council to ensure good financial governance in the municipality. MPAC also makes comments and recommendations on the Annual Report separately to Council.

Fulltime Councilors

SPEAKER

Cllr. G.T. Nkosi

EXECUTIVE MAYOR

Cllr. V.M. Motha

CHIEF WHIP

Cllr. M.L. Yende

MEMBERS OF MAYORAL COMMITTEE:

Cllr S.D. Thwala

MMC Planning and Development and Corporate Services

Cllr Z.J. Mnisi

MMC Finance and Technical Services

Cllr. T.E. Khumalo

MMC Community Services and Forestry

2.2 POLITICAL DECISION-TAKING/ APPENDICE B- COMIITEES AND THEIR RESPONSIBILTY

Council is chaired by the Speaker. Policy decisions and resolution are taken by the Council per recommendation from the Executive Mayor.

The Executive Mayor and Members mayoral committee members are required to execute council resolutions and to resolve on matters delegated to the Executive Mayor by Council.

Council has appointed two section 80 committees chaired by members of the mayoral committee to assist the Executive Mayor. Section 79 (oversight) committees, chaired by non-executive councilors, have also been established to monitor the functioning of the municipality on a quarterly basis and to report to Council directly.

A municipal public accounts committee has also been established to monitor the financial activities of the executives and to make appropriate recommendations to the Council through the mayoral committee.

2.3 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The administration is led by the Municipal Manager, who is appointed in terms of section 54A of the Municipal Systems Act. The Municipal Manager is employed on a contract basis, which includes an annual performance agreement with performance objectives and targets and procedures for evaluating performance. Together with the General Managers who are employed in terms of section 56 of the Municipal Systems Act he leads the administration by amongst others implementing council resolutions, advising council and its Committees, lead the IDP and Budget planning and implementation processes.

There are functions that are delegated by council to the Municipal Manager, who in turn sub-delegated certain functions to the General Managers. Under their leadership, municipal officials attend community consultative meetings, report in management meetings on plans and progress in addressing community issues.

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER – Mr. M Kunene (Administrative Head & Accounting Officer)

GM Financial Services: Mr. B.A. Maseko

GM Corporate Services: Mr. M.S. Thabede

GM Community Services: Mr. V.P. Khumalo

GM Planning & Dev: Mr. T.L. Motloung

GM Technical Services: Ms. Z.O. Lugongolo

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The purpose of intergovernmental relations are to achieve the constitutional mandate for local government by mobilizing resources and strategic partnerships which will ensure co-operation and coordination by all stakeholders (National, Provincial and Local) to ensure service deliver to the residents of the municipality to ensure a better quality life to all.

NATIONAL INTERGOVERNMENTAL STRUCTURES

National Treasury

The National Treasury co-ordinates the development of the local government fiscal framework applicable to municipalities within the context of the Division of Revenue Act. It manages the development of the Local Government Equitable Share formula and ensures compliance with the MFMA to modernize local government budgeting and financial management processes and practices. Provide assistances to improve financial governance and to maximize municipal capacity to deliver services through efficiency, effectiveness and sustainability, and by dealing with corruption. They set-up

the accountability cycle by ensuring proper linkages between IDPs, Budgets, SDBIPs, In-Year reports, Annual Financial Statements, Annual reports, Oversight reports and Audit reports.

Department of Co-operative Governance and Traditional Affairs, (CoGTA)-Develops various policies, guidelines to enable sustainable development to eradicate poverty and develops a service-orientated culture that promotes the active participation of the wider community. Community inputs are essential to improve on integrated development planning and service delivery. Linked to this is the establishment of performance management which is a crucial mechanism to achieve this.

South African Local Government Association (SALGA)-Is the national representative body of local government and has a constitutionally defined mandate. It responds to challenges facing organized local government and addresses past weaknesses

PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Office of the Premier-The Office of the Premier focuses on co-operative and good governance through the provision of advice and information, co-ordination, monitoring and support to local government.

Provincial Treasury-The functions of provincial treasuries are to promote co-operative government among role-players and assist National Treasury in implementing the MFMA, monitor municipal budgets and outcomes, analyze in-year reports and take intervention measures to assist municipalities that breach the MFMA. Provincial Treasury has established various units to assist and monitor the municipalities. These units specialize in, amongst other things, revenue enhancement, assets, accounting standards, and in-year reporting. Through the Munimec meetings and Technical Munimec meetings, various municipal issues in the province are discussed to formulate solutions and plans to improve governance and service delivery. These meetings were conducted quarterly during the financial year.

COGTA MPUMALANGA assists and provides guidance to build clean, effective, efficient, and responsive and accountability local government. It strengthens partnerships between local government and communities and ensure municipalities meet their mandate to provide basic services. Its core mandate is to support and monitor municipalities in the execution of their core mandate.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The Gert Sibande District municipality has a supporting role to play in the planning and coordinating of activities within its boundaries to ensure the provision of services in the district. It is therefore imperative that the capital allocations from the district are based

on community needs. These projects are implemented by the district municipality and transferred to the municipality on completion.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS/ COMMUNICATION,

Mkhondo Local Municipality has developed a communication strategy to help both Council and administration to communicate effectively and meet core objectives of the Municipality attached to the vision and mission of Mkhondo Local Municipality. This serve as a guide for the Communication Unit on how to communicate messages internally and externally.

The unit is responsible for publicizing notices and important messages in communicating with the communities. We publicize messages using IsiZulu and English which are the most spoken languages within Mkhondo, that is to ensure that information is clear and understood by all.

The Municipality has managed to create a good relationship with our local media houses, which includes the local radio station and 2 print media in assisting with announcements and news broadcasting.

- **THE TARGET AUDIENCE:**

Internal, Staff/employees, Top Management and Unions Representatives. Channels used internal newsletter, Emails, Notice Boards, Divisional Meetings and Municipal Social media platforms.

External Audience: Communities, Media, Governments Departments, Business Forums, Traditional Leaders, Faith based organizations. Channels used for communication: Media briefings, Speeches and statements, Radio interviews, Posters/flyers and brochures, Portfolio Committees briefings, Social Media Platforms, Izimbizo/Public Education, Municipal Website and Facebook Page and Word of mouth.

COMMUNICATION CHALLENGES

The Municipality can improve communication when the below listed challenges are addressed;

- Insufficient resources and budget
 - Bringing together sectors that are supportive
 - Signage for orientation purposes is not sufficient within the Municipality
 - Lack of Coherence
- #### 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP PUBLIC PARTICIPATION

INTEGRATED DEVELOPMENT PLAN

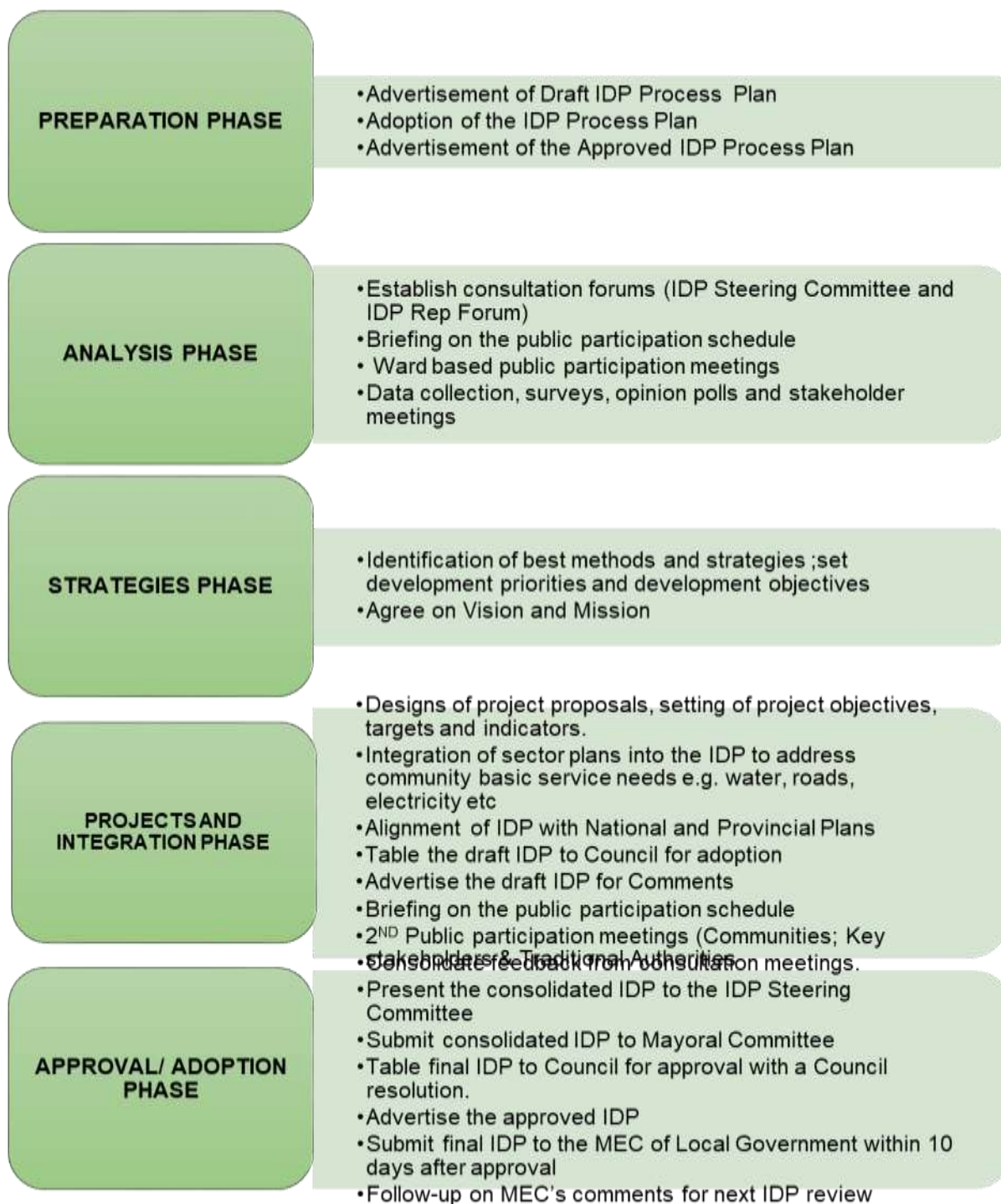
An Integrated Development Plan is a single, inclusive and strategic plan which guides and informs all planning, budgeting and development of the municipality. It is adopted by the Municipal Council and must be submitted to the Member of Executive Council (MEC) of Local Government in the Province for comments. It has to be harmonised, aligned and coordinated with all other municipal plans, strategies and frameworks, as well as National and Provincial strategic, departmental and sector plans, frameworks and strategies.

It enables the Municipality's leadership and management to make informed decisions towards ensuring efficient and effective service delivery. It must be adopted by each Municipal Council, within a prescribed period after it is elected, in terms of the Municipal Systems Act, No. 32 of 2000(as amended).

The main objective of an Integrated Development Plan (IDP) is to ensure the sustainable, equitable and inclusive development of a municipal area and to ensure a decent quality of life for all those who live in it. The aforementioned objective links to the following:

- a) The alleviation and eradication of poverty and of all lingering spatial, social, and economical legacies of apartheid;
- b) The identification and removal of all obstacles to development;
- c) The pursuit of sustainable and optimal use of resources; and the establishment of sustenance of efficient, effective and caring administrative services.

The figure below demonstrates the phases of the IDP:



ANALYSIS, PROJECT AND STRATEGY PHASE

Community participation is a legislated requirement for development and review of a municipal IDP. Section 16 of the Municipal Systems Act, No. 32 of 2000, requires municipalities to develop a culture of municipal governance that complements formal representative government with system of participatory government. Thus, must for this purpose encourage and create conditions for local community to participate in the affairs of the municipality such as the preparation; monitoring of implementation and review of its Integrated Development Plan

Mkhondo Local Municipality embark on the public participation during the month of October/November 2017, to collect the priority of the community for the preparation of the first review of IDP 2018/19 and this are the top six (6) priorities that we raised by the community.

WARD	DATE OF THE MEETING	TOP SIX (6) ISSUES RAISED BY THE COMMUNITY
1	22 October 2017 19 April 2018	1. Roads 2. Toilets 3. Tittle deeds 4. Job opportunities 5. CWP working 6. Street light
2	22 October 2017 22 April 2018	1. Water 2. Electricity 3. Sanitation 4. Roads construction and maintenance 5. Employment opportunities 6. Land for farming/grazing
3	18 October 2017 04 May 2018	1. Electricity 2. Water 3. RDP 4. Toilet and 5. Sanitation

WARD	DATE OF THE MEETING	TOP SIX (6) ISSUES RAISED BY THE COMMUNITY
		6. Road
4	19 October 2017 22 April 2018	1. Electricity 2. Toilets 3. RDP Houses 4. Roads 5. Water 6. Soccer field
5	29 October 2018 21 April 2018	1. Electricity selling point 2. Multipurpose centre 3. Electricity installation households 4. (Infill's) 5. Electricity 6. Toilets
6	21 October 2017 29 April 2018	1. water 2. Electricity 3. Toilets 4. Housing 5. Clinics 6. Fencing and signage of road establishment of streets, paving of roads
7	22 October 2017 3 May 2018	1. Resident site 2. Electric main Substation 3. Roads 4. Street light 5. Road signs & street naming 6. Electricity
8	29 October 2017 6 May 2018)	1. Land 2. Water 3. School 4. Transport

WARD	DATE OF THE MEETING	TOP SIX (6) ISSUES RAISED BY THE COMMUNITY
		<ol style="list-style-type: none"> 5. Primary school 6. Youth centre
9	28 October 2017 28 April 2018	<ol style="list-style-type: none"> 1. Clinic 2. Hall 3. Water 4. Electricity 5. Land 6. Thusong Centre
10	19 October 2017 28 April 2018	<ol style="list-style-type: none"> 1. Site and RDP 2. Storm water drainage maintenance 3. Gate 4. Refuse Plastic Bag 5. Speed Harms 6. Notice board of illegal dumping
11	16 October 2017 30 April 2018)	<ol style="list-style-type: none"> 1. Park Renewal 2. Tarred Road 3. Primary School 4. Library 5. toilet 6. Pedestrian bridge
12	04 November 2017 30 April 2018	<ol style="list-style-type: none"> 1. Sites 2. RDP Houses 3. Streets light 4. Potholes 5. V Drains 6. Open Site
13	24 October 2017 26 April 2018	<ol style="list-style-type: none"> 1. Electricity 2. Water 3. Toilet 4. Sewer System

WARD	DATE OF THE MEETING	TOP SIX (6) ISSUES RAISED BY THE COMMUNITY
		<ul style="list-style-type: none"> 5. Roads 6. Primary School
14	29 October 2017 22 April 2018	<ul style="list-style-type: none"> 1. Sewer reticulation 2. RDP Houses/Residential sites 3. Roads 4. Storm water drainage 5. High mast
15	23 October 2017 19 April 2018	<ul style="list-style-type: none"> 1. Grading of roads 2. Water 3. Job opportunities 4. Electricity and infills 5. RDP house 6. Clinic
16	22 October 2017 03 May 2018)	<ul style="list-style-type: none"> 1. Sewer system 2. RDP Houses 3. Roads 4. Sports Facilities 5. Youth centre 6. Sport facilities
17	01 November 2017 26 April 2018	<ul style="list-style-type: none"> 1. Electricity 2. High Mast Light 3. Sewer 4. Township establishment 5. Community Hall and Clinic 6. Sports field
18	02 November 2017 23 April 2018	<ul style="list-style-type: none"> 1. Road 2. Houses 3. Water 4. High mast 5. light

WARD	DATE OF THE MEETING	TOP SIX (6) ISSUES RAISED BY THE COMMUNITY
		6. Sport field
19	22 October 2017 27 April 2018	<ol style="list-style-type: none"> 1. Water 2. Sewer Network 3. RDP Houses 4. Toilets 5. Electricity 6. Street light/High Mast light

PROJECT IMPLIMENTED AS PER THE COMMUNITY NEEDS

Projects implemented as per community need	WARDS																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Electricity (Electrification of Households, street lights, high Masts)		X	X	X				X										X	
Water (Bulk pipe line, taps, boreholes)				X				X									X		
Sanitation (sewer, toilets)	X	X	X	X		X		X	X									X	X
Roads	X	X				X												X	X
Social care (Sports and recreation, Community hall)		X			X														X
Storm water drainage					X								X						
LED Project (Hawkers stall)							X												
Job Opportunities (CWP, MR.TT, EPWP, Mining skills, Hospitality skills & Phezukomkhono)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

2.6 ALIGNMENT OF IDP, BUDGET & SDBIP

IDP PARTICIPATION AND ALIGNMENT CRITERIA	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers?	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames to AG?	Yes
<i>* Section 26 Municipal Systems Act 2000</i>	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

The Municipality has implemented a system of corporate governance that encourages the effective, efficient and economic use of resources towards better service delivery and ensures accountability and responsibility for the stewardship of those resources. This governance framework supports sound financial decision making, ensuring affordable services to the community, guide the funding and financing priorities and facilitate performance monitoring and review. During the year under review the following key governance responsibilities were functional:

- ✓ Internal audit function which operates in terms of an approved internal audit plan.
- ✓ Audit committee which operates in accordance with approved terms of reference.
- ✓ A Risk assessment was conducted which include a risk management strategy and monitoring of key risks according to a risk register.
- ✓ Approved fraud prevention plan.
- ✓ Performance management system.
- ✓ An approved system of delegations to maximize administrative and operational efficiency and to provide for adequate checks and balances as required in terms of sections 59 to 65 of the Municipal Systems Act, 32 of 2000.

2.7 RISK MANAGEMENT

Risk Management is a tool which increases the Council's prospects of success through minimizing negative outcomes and optimizing opportunities.

This support is provided through:

- Risk Identification which is a deliberate and systematic effort to identify and document the Council's key risks. Risk Management unit should ensure that the council adopts a rigorous and ongoing process of risk identification.
- Risk assessment is a systematic process to quantify or qualify the level of risk associated with specific threat or event.
- Risk Response that is concerned with developing strategies to reduce or eliminate the threats and events that creates risks.

- Communicating and reporting relevant, timely, accurate and complete risk information should be disseminated in the Council and responsibilities and actions should be communicated.
- Risk Monitoring on a regular basis to confirm the proper functioning of the entire risk management systems.

The Strategic Risk Identification/Risk Assessment workshop for the 2018/19 FY took place on 19 April 2018 and the Operational Risk Identification/Risk Assessment workshop took place in the month of July 2018. The Risk Management and Fraud Prevention Committee is in place and its chaired by an external chairperson, the committee met four times in the 2018/19 FY as per approved Risk Management Committee Charter and the Risk Management and Fraud Prevention Implementation Plan. The 2018/19 approved Risk Implementation Plan had 19 activities planned for the year and all activities planned were achieved, which is an improvement from the previous financial year.

The Risk Profile of the institution for the 2018/19 FY was characterised by inadequate revenue collection which in turn affected cash flow of the institution. Mkhondo Municipality will need to improve on its revenue collection and general financial management in the 2019/20 FY, this are the two most high risk areas the institution is facing.

2.8 ANTI CORRUPTION AND FRAUD

The Risk Management unit is also tasked with the providing Anti-Corruption and Fraud Prevention awareness programs; the municipality held its annual awareness (anti-corruption and fraud prevention) workshops on 04 April 2019 which was well attended by municipal officials. We were also able to publish an anti-corruption article on our municipal publication named Explorer. The article was aimed encouraging employees, councillors and the community at large to report any form of corruption and fraud to the National Anti-Corruption Hotline. Furthermore the municipality has an approved Fraud Prevention Strategy in place and the municipality on an annual basis conducts fraud and corruption risks assessments which are monitored on a quarterly basis by our risk management unit. The

municipal Council has also appointed a Financial Misconduct Board which aimed at investigating allegations of fraud and corruption speedily and effectively. The municipality has zero-tolerance for corruption and fraud. This above mentioned controls indicate the willingness of the municipality to fight corruption and fraud at the municipality.

2.9 SUPPLY CHAIN MANAGEMENT

In terms of Section 7 of the SCM Policy the municipality must establish a Supply Chain Management Unit (SCMU) to implement its Supply Chain Management Policy.

The Supply Chain Management Unit operates under the direct supervision of the Chief Financial Officer and may be delegated to an official reporting to the CFO, in terms of Section 82 of the MFMA, viz, the Senior Manager.

Section 217(1) of the Constitution provides that “*When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, **contracts for goods or services**, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.*” Section 217(2) allows a preferential procurement system, and Section 217(3) empowers and compels the parliament to enact a national legislation that must prescribe a framework within which a preferential procurement system must be implemented. The PPPFA and Regulations under it, and B-BBEE Act are the National legislation envisaged by section 217(3). All organs of state, as defined in 239 of the Constitution, must comply with Section 217.

Supply Chain Management system must ensure that Section 217 (1) of the Constitution is adhered to and that all service providers and potential service providers are treated equitably. The SCM system must not purposefully favour or prejudice anybody, and to make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

The structure of the SCMU is made up of two main Sections, which are; Demand and Acquisition Management, and Contract and Bid Administration. Demand and Acquisition Management’s key role involves, demand management where needs analysis and procurement plans from various Departments are consolidated and implemented in centralised procurement by the Section whilst achieving value for

money, effectiveness, and efficiency. The summarised responsibility of the demand and Acquisition includes:

- Demand planning and analysis ,
- Specifications, and Terms of Reference Development,
- Procurement of goods and services,
- That goods and services are procured in accordance with authorized processes only;
- That expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the MFMA;
- That the threshold values for different procurement processes are complied with.
- That any Treasury guidelines on acquisition management are properly taken into account.
- Goods and service are procured in accordance with authorized processes and approved delegations. Expenditure that has been incurred was budgeted for in the approved budget of Council.

Contract and Bid Management focuses on supervision and of contracts and Bid Administration. Contract and Bid Management allows for improved contract administration and planning. The Unit ensures the following:

- Secretariat services for Bid Committees is provided;
- That bid documentation, specifications and terms of reference, evaluation and adjudication criteria and general conditions of a contract are in accordance with any applicable legislation; and
- The bid documentation that is utilized is in accordance with the guidelines issued by National and Provincial Treasury, the Supply Chain Management Policy, the Supply Chain Management Regulations, the general conditions of contract and applicable legislation such as the Construction Industry Development Board Act (Act 38 of 2000) and we are continuously improving the documents in order to improve access and ease of use.
- The competitive bidding process and bid committee structures are functioning.
- Members of the bid committees are required to complete the attendance register and declare to undertake the following:
- That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard.

Achievements

- SCM Officials and other officials of the municipality have also been exposed to training opportunities with specialised SCM Training by Treasury as required in the Supply Chain Management Regulations. The focus on training and development of officials will be improved for the next financial year.
- Successful implementation of the Central Supplier Database (CSD) as introduced by National Treasury.
- Successful implementation of the e-Tender advertisement portal as introduced by National Treasury, and
- Awarding of tenders within specified validity period through competitive bidding process and request for quotations.

Supply Chain Risks and Challenges

The SCMU faces operational risks and challenges on its day-to-day operations. The Unit must ensure that all identified risks and potential risks are identified, measured, and mitigated. Amongst possible risks, the following are the most prevalent risks to the Unit:

- Financial risks (exchange rate risk, interest rate risk, inflation rate risk),
- Supplier non-performance risk,
- Product and goods risk,
- Fraud and corruption,
- Environmental risk,
- Political risk, and
- Information Technology risks.

In its operations the Unit must at all times monitor, evaluate the risks and ensure that there are mitigating plans of minimising and eliminating these risks.

Challenges

- Non-compliance and adherence of SCM policy and Regulations by the end-user Departments,
- None submission of procurement plans on time by end-user Departments which in turn defeats proper functioning of Demand and Acquisitions section,
- Proper contract Management as the Unit was not formally established previously

CONCLUSION

Mkhondo Local Municipality has been implementing the Supply Chain Management Regulations through the Supply Chain Management Policy. Any shortcomings or

inadequacies in the implementation of the Supply Chain Management Policy are constantly addressed.

De-Centralised Procurement and Contract administration has been identified as areas of particular concern and will be addressed on an ongoing basis. Demand Management will once again be another focus area and progress will also be reported regularly.

Projects and procurement are being planned with cognisance of the requirements of the Supply Chain Management legislative framework to ensure that the process of the municipality are fair, equitable, transparent, competitive and cost-effective and comply with the prescripts of the Municipal Finance Management Act in order to give effect to Section 217 of the Constitution.

2.10 BY-LAWS

The Municipality in terms of Section 13 of Municipal Systems Act read with Section 162 of the Constitution requires the Municipality to promulgate municipal by-laws by publishing them in the gazette of the relevant province.

The by-laws assist the Municipality to enforce, regulate and deter unlawful conduct by individuals or groups of people within its jurisdiction.

In the past financial year the Municipality promulgated 3 by-laws

1. Property Rates
2. Electricity supply
3. Tariffs

2.11 WEBSITES

The website of the municipality is fully functional. All employees as well as the public have access to the website. A full-time webmaster has been appointed to maintain and update the website. The table below shows the status quo of the website:

Documents published on the Municipality's / Entity's Website	Yes/No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (Year - 1)	Yes
The annual report (Year 0) published /to be published	No
All current performance agreements required in terms of section 57 (1)(b) of the Municipal System Act (year 0) and resulting scorecards	Yes
All service delivery agreements (Year 0)	No
All supply chain management contracts above a prescribed value (give value) for Year 0	No
An information statement containing a list of assets over a prescribed	Yes

value that have been disposed of in terms of section 14 (2) or 4) during year 1	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 0	No
All quarterly reports tabled in the Council in terms of section 52 (d) during Year 0	Yes

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION AND SANITATION

INTRODUCTION TO WATER PROVISION

WATER AND SANITATION DIVISION

Mkhondo Local Municipality is one of the small rural municipalities with approximately 189 036 (Stats SA Community survey 2016). Approximately 71% of the total population resides in the rural areas wherein there is very minimal infrastructure for provision of water and sanitation and 29% of the total population resides in the urban area and has adequate infrastructure for provision of both water and sanitation.

The constitution of South Africa states that everyone has a right to access safe drinking water and dignified sanitation. Under Municipal Structures Act (No 117 of 1998) Mkhondo Local Municipality has been designated as the sole water services authority in its area of jurisdiction. The municipality has a duty to provide services all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water and sanitation services.

Our mandate is to provide quality potable water to all households within the Mkhondo Local Municipal area, MP (303). Mkhondo Local Municipality obtained 32%

for Blue Drop in 2014, hence the Municipality has improved significantly according the IRIS Report to 91% to date with WTW having been upgraded and the improved quality of water provided. The aim is to obtain Blue Drop certification. Process Controllers are regularly provided with training and refresher courses to keep them up to date with the latest technological advancement. 75 % of the process controllers are trained and classified with the Department of Water and Sanitation. 60% are qualified as Class III process controllers and 15% are qualified as Class IV which indicates a tremendous improvement from the previous classifications. Ageing infrastructure and ever increasing population demand are the main challenges faced in our water and wastewater systems as refurbishment and upgrades will soon be required.

Mkhondo Local Municipality supply treated bulk water to Amsterdam, Mkhondo and Saul Mkhizeville with 4 Water Treatment Works and rural villages are supplied with water through boreholes and water tankers. Drying out of boreholes increased the demand of water through water tankering and this has led to constant breakdown of the existing water tankers due to long distance travels and the poor conditions of the water tankers. Mkhondo Local Municipality provides bulk sanitation to Mkhondo and Amsterdam with 2 wastewater treatment works.

WATER AND SANITATION SERVICES BACKLOG

WATER AND WASTEWATER SERVICES BACKLOG AS AT END OF OCTOBER 2019					
	Total No of HH	HH with access	% age with access	HH without access	% age without access
Water	45595	41 823	91	4 319	9
Sanitation		37 217	82	8 394	18

Successes

- The division has managed to achieve most of the KPIs listed on the SDBIP, with improvements with each year with an increase in number of households had access to water in the 2018/19 financial year.
- The division also managed to provide water through water tankers to over 350 villages including villages affected by drought and continue to do so.
- There has been a huge improvement in the drinking water quality compliance.
- Improvement on response time for complaints related to water and sewer e.g. pipe bursts and sewer blockages.
- Maintenance of boreholes within the rural villages was provided to the rural communities.
- Electrification of boreholes in areas where there were hand pumps and no electricity.
- Rural water reticulation in villages and the programme is on-going.
- Success in conducting water quality and water demand awareness campaigns.
- Publication of water and wastewater quality results.
- Training of reticulation team.
- VIP emptying services in rural villages.

Shortfalls

The challenges have contributed achieving less than 100% performance on the provision of water and sanitation.

- Constant breakdown and ageing fleet.
- Budget constraints
- Staff compliment
- Replacement of faulty meters to increase revenue collection.

3.2 ELECTRICITY

This division is responsible for maintenance of the municipal grid and also assists in establishing new house connections to the network. Currently, 84% of households in urban areas have access to electricity. The remaining 16% rely on candles for

lighting, paraffin and gas for energy. ESKOM supplies electricity to the rural areas. The main sub-station's capacity is 18MVA and we are currently operating at up to 25MVA. However, our application to ESKOM for the upgrading to 40MVA has been successful. The upgrade is duly under way.

Successes

1. We were able to service about 60% of our network lines.
2. Attend all planned maintenance as per our plan,
3. Attended most of faulty street lights,
4. Able to attend all electrical complains.

Shortcoming

1. Insufficient fleet to cater to all service area
2. Ageing infrastructure
3. Limited Supply capacity (NMD)

3.3 WASTE MANAGEMENT

Household collection was done in the areas that are serviced as per the schedule i.e. once a week per section. New areas have been included in the plan for the 2020/21 financial year in the collection schedule.

Refuse removal in town and the township was done, using waste containers that are removed using a tractor drawn trailer. There is currently a challenge with the container removal service as most of the containers are badly damaged and some are old to be repairable.

The municipality has also extended the waste service to some rural areas, working together with Mondi, DARDEA-Amsterdam Environmental Center, IUCMA, CWP, where the main objective of the service is to encourage recycling of waste, and that only small volumes of waste unrecycled makes it way to the landfill site. The areas that are currently being serviced in this rural waste program are Thandakukhanya, New Home, Sluis, Jabulani Agrivillage, Mdubuzane and eZinkonjaneni.

The landfill site remains a challenge, since the municipality does not have adequate landfill site equipment.

Street cleaning was done daily at the CBD as well as all main roads. There are two teams working in the streets (day and night shift). Illegal dumping spots are increasing on daily basis, manpower to clean them is not enough. We however work with the CWP in some areas to assist in cleaning some of these areas that are problematic. Cleanup and awareness campaigns are conducted partnering with other stakeholders.

3.4 HOUSING/HUMAN SETTLEMENT

The Mkhondo Local Municipality has a crucial role of facilitating and creating an environment that ensures the Delivery of integrated and sustainable human settlements. This function is a key back to basics pillar which aims to provide basic service delivery through provision of housing as well as create decent living conditions within our communities. During the 2018/2019 financial year the municipality through the Department of Human Settlements facilitated the continued construction of 577 low-cost houses distributed between Ward 14 in Piet Retief Extension 7 and various other Wards within the EThandukukhanya Township. A further 100 low-cost units was allocated between Ward 17 and 19 in Amsterdam/KwaThandeka and Ezinkonjaneni. The Department of Human Settlements also committed to building an extra total number of 500 units within several identified wards/areas within Mkhondo as soon as determined feasible, with a contractor already appointed.

Challenges

There is a Growing trend of informal settlements within the municipality due to the increasing residential demand, coupled with a large number of unserviced sites and insufficient bulk engineering infrastructure which hinder the allocation of adequate housing units. Sprawling/over and/or encroachment on township boundaries within our former black settlement areas is also a common challenge.

Proposed Interventions

- Rapid township formalization programmer
- Incremental approach to the formalization/establishment of new townships
- Prioritization of budgets towards bulk (internal or external)
- Alignment of SDF with budgeted engineering projects

Continue to identify all qualifying low-cost housing beneficiaries and avail same to the Department of Human Settlements timeously as and when required

3.5 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The purpose of the indigent policy is to implement the national initiative to improve the lives of indigents and to improve access to free basic services. The policy is aimed at providing a social safety net to relieve poverty within communities. The indigent policy has three (3) parts namely:

- Physical access to the municipal services;

- Functional and maintenance of services provided; and
- Access to services must be properly targeted.

Council does not have a division to specifically cater for social welfare to keep register of and to evaluate all applications for indigent support. However, the finance section provides a control system in the form of a questionnaire contained in the application form for indigents.

The following free basic services are provided to qualifying indigents:

- 50 kWh (units) of free basic electricity per month.
- Six (6) kiloliter of free water per month.
- Rebate on assessment rates as per approved tariffs threshold.
- The waste removal rate in respect of indigents will be fully discounted.
- The sewerage rate in respect of indigents will be fully discounted.

COMPONENT B:

3.6 ROADS

Roads and Storm water

For the year under review the following maintenance was carried out by the section:

1. Pothole repair is 17143.13m² square meters,
2. Gravel roads graded 425.5 kilometres,
3. Storm water system cleaned is 15087 m
4. A total of 324 graves were prepared and burials took place in cemeteries controlled by the Mkhondo Local Municipality.

Challenges during the year under review:

1. All tarred surfaces must be repaired and resealed as a matter of urgency as the infrastructure is very old,
2. Bevelled paved surfaces require urgent attention in certain areas,
3. Gravel road in the urban and residential areas all require the replacement of the wear layer, and
4. The Municipality has manage to secure a New Yellow plant in spite of these challenges faced by the section, a satisfactory level of service delivery was achieved.

COMPONENT C: PLANNING AND DEVELOPMENT

3.9 PLANNING

The Planning and Development Department comprises of mainly two divisions, namely the IDP, LED and Tourism Division and the Town Planning, Human

Settlements and Building Control Division. The core mandate of this Department is to ensure sustainable and integrated human settlements; compliance to town planning and building control regulations; and, to ensure local economic growth and attract investment to the municipality.

Local Economic Development Unit is a directorate in the Planning and development Department, LED aims to enable local stakeholders to mutually devise and implement a development strategy which fully exploits local resources and capacities, and effectively utilise the area's comparative advantages. It is also mandated to promote economic development; job creation, economic transformation and economic intelligence within the municipal area. It is guided by policies established by National and Provincial Government and articulates the approach to economic development through the Municipality's Integrated Development Plan (IDP) and a Local Economic Development Strategy.

3.10 LOCAL ECENOMIC DEVELOPMENT

MPUMALANGA REGIONAL TRAINING TRUST (MRTT)

MRTT is an Mpumalanga based training institute accredited by SITA to conduct training on their behalf. On annual basis the work with the Municipality to capacitate the members of our community. They have a specific allocation for training on different trades. In 2018/19 Mkhondo was allocated 90 learners to be trained in bricklaying, painting, carpentry, welding and mixed farming. The allocation is further distributed amongst wards.

TRADES														
Bricklaying			Painting			Carpentry			Welding			Mixed farming		
Total No.	Gender		Total No.	Gender		Total No.	Gender		Total No.	Gender		Total No.	Gender	
	F	M		F	M		F	M		F	M		F	M
20	11	9	15	8	7	20	12	8	15	9	6	20	11	9

PHEZUKOMKHONO PROGRAMME

This is a Gert Sibande District Municipality initiative to support Local Municipalities in poverty alleviation and job creation to provide a safety net for participants. We currently have 60 participants that are employed on this programmer. Phezukomkhono contracts started in April 2018 and ended in February 2019. Contracts are annual based.

COMMUNITY WORKS PROGRAMME (CWP)

This programmer is implemented in all the 19 wards with 1694 participants' allocation. It is ward base, participants are expected to do general work, to assist with gardening and cleaning of schools and clinics, pensioners, with waste removal and other works as prescribed in the CWP Business Plan. Local Reference Committee sits on quarterly basis to look at the overall CWP status quo.

CWP Beneficiation

Site	Monthly Participation	Male	Male Youth	Male Non-Youth	Female	Female Youth	Female-Non Youth	PWD
Mkhondo	1694	500	323	177	1194	866	328	58

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

The Expanded Public Works Programme (EPWP) is South African Government initiated programmer aimed at creating 6 million work opportunities by 2018. The Programme is implemented by all spheres of government, across four (4) defined sectors, namely the Infrastructure, Social, Non-State and Environment and Culture sectors. The Programme is coordinated by the National Department of Public Works (DPW), as mandated by Cabinet.

The EPWP infrastructure projects will be funded through the Municipal Infrastructure Grant (MIG) allocated to Municipalities by Treasury through CoGTA. The EPWP Unit in Mkhondo Local Municipality will be responsible for coordinating and supporting the implementation of EPWP. The incentives grant was introduced during the second phase of the Programme with the aim to reinforce and reward public bodies that implement labour intensive methods and utilize their existing budget allocations effectively to increase the labour content of service delivery; also to encourage public bodies meet their EPWP targets and rapidly expand job creation.

Mkhondo EPWP policy was adopted by council in December 2018. Following are 2018/19 EPWP achievements including MIG, IG, WSIG and INEP:

Total no. of Beneficiaries	Youth Males	Adult Male	Youth Females	Adult Female	Disabled
327	89	110	90	37	1

COOPERATIVE DAY / SMME FAIR

Cooperative Day was held on the 24 April 2018, Mkhondo Town Hall and the SMME Fair were held on the 22 June 2018. On the day cooperatives are allowed to exhibit their work and products for purpose of marketing. Cooperatives are also assisted to register on the Central Supplier Database (CSD) to enable them to trade with government.

LED PROJECTS

As a unit we provide SMME's and cooperatives with financial and technical support. We support SMMEs and cooperatives by providing capacity building programmers that relates to business and also provide them with materials to improve their productivity of their businesses. Co-funding is also provided by Gert Sibande District Municipality.

LED FORUM (LEDF)

LEDF was launched in 2018/19 and is active. LEDF meetings were held and chaired by the Executive Mayor, Clr V Motha. LED Strategy was reviewed.

TOURISM

On annual basis the unit supports tourism local initiatives in order to promote the town, local talent and attracts tourist. Last financial year was no different, few

initiatives were supported by the unit in order to fulfill the mandate of the unit. Initiatives that were supported included: Ingoma, Exhibitions / Ubuntu Market, Full Moon and Horse Racing.

3.11 BUILDING CONTROL

The Building Control Unit has processed and approved about 104 applications submitted for approval of building plans for new developments in excess of forty thousand square meters (40 000m²).

The Building Control Unit ensured that the constructions of buildings are carried out as per approved building plans and conducted 52 building inspections throughout the 2018/19 financial year in order to ensure the occupation of safe and sustainable buildings.

About 6000 (Six thousand) household inspections were conducted to monitor illegal building activities and approximately Thirty nine (39) contravention notices were issued for illegal work to ensure compliance with the National Building Regulations and Building Standards Act (No 103 of 1977) as amended and other applicable laws.

Challenges:

- Staff shortage is one of the most pressing challenges within the Building Control Unit as well as continuously non-compliance of the Building Act from the public

Proposed Remedy:

- All the budgeted vacant positions as per Building Control Organogram must be filled in order for the municipality to meet its set mandate for improved service delivery to the community. Submission of non-compliance reports for all illegal work to the law enforcement office for appropriate legal action to be taken and implementation of the spot fines.

3.12 TOWN PLANNING

3.12.1 Review of Spatial Development Framework (SDF)

The SDF was prepared by University of Pretoria in collaboration with GIZ. Numerous consultations were held with various stakeholders such as local businesses community, forestry and farming communities and traditional authorities, to tap into the wisdom of the crowd and assist in developing a comprehensive SDF. The Final SDF was adopted by Council on the 27 June 2019, under Council Resolution Item no. **19/06/319A**.

The Municipality together with the assistance of Gert Sibande District Municipality and the Municipal Infrastructure Support Agent (MISA) embarked on a process to compile a Wall-to-wall Land Use Scheme, which complies with the Spatial Planning and Land Use Management Act, No. 16 of 2013 (SPLUMA). It is noteworthy that the Mkhondo Land Use Scheme was adopted by Council on the 27 June 2019, under Council Resolution Item no. 19/06/318A.

3.12.2 Number of households inspected for illegal land uses and buildings

In the quest to ensure compliance with the Mkhondo By-law on Spatial Planning and Land Use Management By-law (2016), 6000 (six thousand) households were

inspected by the Land Use Inspector.

3.12.3 Percentage (%) of letters issued on all illegal land uses identified

Illegal land uses are monitored, and non-compliance notices are being issued by the Land Use Inspector to contraveners. Approximately twenty-nine (29) non-compliance notices have been issued.

3.12.4 Number of Townships Established

Three (3) Township Establishment applications, namely Sluis, Athalia and Hartebees (Mdukuzane) were tabled to the Gert Sibande District Joint Municipal Planning Tribunal (MPT) on the 23th August 2019. All three township establishment application was approved.

Challenges:

Review of Spatial Development Framework

The Final SDF and Wall to Wall Land Use Scheme has been adopted by council and needs to be promulgated in terms of the Spatial Planning and Land Use Management Act, No. 16 of 2013 (SPLUMA).

Number of households inspected for illegal land uses and buildings and percentage (%) of letters issued on all illegal land uses identified

The annual target of 6000 (six thousand) households to be inspected in the 2018/19 financial year was not reached. Although the annual target has been met, the unavailability of tools of trade are still a challenge as vehicles are shared amongst municipal departments.

It is noteworthy that, another challenge experienced, is that property owners are reluctant to comply when issued non-compliance notices.

The Town Planning Unit is experiencing a deficit in staff as there are 2 critical vacant posts on the approved organogram. This has resulted serious backlog in terms of land developments applications and gravely affects service delivery, as applications and public requests are not being processed in a timeous manner, due to the shortage of staff within the department.

Proposed Remedy:

- Critical vacant posts on the organogram must be advertised in the 2019/20 financial year.
- Encourage staff training and conduct community awareness on Town planning regulations in the 2019/20 financial year.

3.13. SPLUMA Implementation:

The Mkhondo By-Law on Spatial Planning and Land Use Management (SPLUM) which was promulgated on the 22nd April 2016 is being implemented. All Land Use and Land Development Applications submitted during the 2018/19 financial year were submitted in terms of SPLUMA (2013) and the Mkhondo By-law on SPLUM (2016), and applications fees were paid in terms of the approved tariff structure. The Gert Sibande District Joint Municipal Planning Tribunal is functional.

3.14 LIBRARIES

MKHONDO PUBLIC LIBRARIES

The Municipality of Mkhondo has 3 libraries under it, the Amsterdam public library, Driefontein public library and Mkhondo Public library. These 3 libraries are all monitored by the senior librarian of Mkhondo municipality under the department of corporate services, serving under the General Manager/ Corporate services. The municipality works together with Mpumalanga Library and Information (MPLS) to provide collections of library material to affiliated public libraries under the jurisdiction of both the municipalities and private institutions.

Most of the library collection is provided by the Province and the municipality signs a binding agreement with the Province to monitor and guard the assets.

LIBRARY MISSION

Provide access to library and information services which assist in meeting the recreational, information and cultural needs of the Mkhondo community.

GOALS AND OBJECTIVES OF THE LIBRARY

- Provide and maintain resource collections which are responsive to the needs of the community
- Provide a set of library outreach services, activities and programs that will empower the community
- Increase awareness and usage of library services
- Provide library facilities appropriate to the needs of the people of Mkhondo

Mkhondo Public Library

New books

In 2019 the library received 3000 new books. These books were specifically purchased based on the user's needs. The community is encouraged to register their preferred or needed books and as the library, we ensure that all their needs are met. The new books saw an increase in the number of membership because of the new relevant books.

Upgraded computers

All the computers in the library were upgraded and new software installed. The users have access to free Wi-Fi which also assists students in doing online applications and scholars do their research. Library users also have unlimited access of the internet and they can bring their own computers to connect.

Outreach

2019 as a library we have been having community sittings and consultations with community members regarding bringing libraries to remote schools and areas. The community of KwaNgema was visited and discussions on how to service them were discussed. Consultations have been a key thing this year because our vision as a library is to work with remote areas to try and see how as a municipality we can best bridge the gap between those that have access to library services and those that don't.

Book donations

Local schools are given book donations to encourage and create a reading culture at an early phase. Most of these schools are schools that we work with whenever doing campaigns. We also assist teachers to create classroom libraries. Classroom libraries are libraries that are entirely handled by the schools and using the books donated by the municipality, they are able to lend scholars.

Library of the blind

The municipality offers a service to blind and vision impaired users. They have their computer, a document readers and they are given a daisy for audio books. Through consultation and working with other stakeholders, we were able to reach out to people living with blindness. Our library caters for them and also prioritize their needs. A champion for the blind was also selected by the library and a stipend is paid. Our mission is to also make our service available to everyone and not discriminate. We cater for everyone

- The library also caters for vision impaired/blind users. We have equipment's strictly catered for our users, and we lend them audio books. We also have a document reader which they use to read any book of their choice.
- Transport to visit remote areas, a budget for doing library marketing per quarter, assist the senior librarian to do monitoring and evaluation per month in all the libraries and the above mentioned activities should be covered by the municipality.

Challenges

As the library we are expected to abide to the above mentioned goals and objectives and as per the SDBIP, each library is supposed to visit 4 remote schools per quarter. There are however challenges within our scope of work;

- Transport especially a bakkie to load all the equipment's we take with when visiting remote areas.
- Marketing tools
- Enough budget for the library services
- Office space especially now that we have a studio for the blind. There is no enough room to accommodate all the equipment for the blind.
- Training needs for the staff. Training programs are an important part of organisation growth as it enables staff to learn more about their work.

- An upgrade of the library because the current one is very old and has started to leak.

Conclusion

There is a need to work and help fix the challenges highlighted above, the libraries would run effectively through consultation, planning, budgeting and conducting training courses for staff to also assist in service delivery.

Transport is a common factor for all the 3 libraries and with the assistance of the municipality by providing a library vehicle to visit remote schools can also assist to bridge the gap between the surrounding and remote schools

There is also a need for the municipality to work together with DCSR in implementing library projects that can better the community of Mkhondo. DCSR is willing to assist in any way possible for these 3 libraries to run effectively

3.15 MUNICIPAL BUILDINGS

LIST OF THE MUNICIPAL PROPERTY-				
HALL				
LIST	HALL	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Town Hall	Erf 844 Piet Retief	Poor Condition	Mkhondo
2	Skeyfin Hall	Extension 4 Erf 4092 Ethandakukhanya	Good Condition	Mkhondo
3	Sthuli Hleza Hall	Extension 3 Erf 949 Ethandakuhanya	Fair Condition	
4	Eziphunzini Hall	Extension 5 Erf 6852 Ethandakukhanya	Good Condition	Mkhondo
5	Kempville Hall	Ptn 7/428 Kempville	Poor Condition	Mkhondo
6	Old Beer Hall	Extension 1 Erf 1412 Ethandakukhanya	Poor Condition	Mkhondo
7	Entombe Hall	Zendeland Post Farm	Poor Condition	
8	Insepe Hall	Extension 1 Erf 616	Fair Condition	Mkhondo
9	Amsterdam Hall	Erf 1131 Amsterdam	Good Condition	Mkhondo
10	Kwathandeka Hall	Erf 163 Kwathandeka	Fair Condition	Mkhondo
11	France Hall	Erf 1696 Winnie Mandela Park	Good Condition	
12	Driefontein Hall	Ptn 4 of the Farm St. Helena 386 – IT	Good Condition	
OFFICES				
LIST	OFFICE	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Main Office	Erf 844 Piet Retief	Poor Condition	Mkhondo
2	Finance Office	Erf 58 Piet Retief	Poor Condition	Mkhondo
3	Tourist Info Office	Erf 77 Piet Retief	Fair Condition	Mkhondo
4	Piet Retief Library	Erf 77 Piet Retief	Fair Condition	Mkhondo
5	Electrical Office	Portion 123 of the Farm Town & Town Lands	Good Condition	
6	Traffic Office	Portion 123 of the Farm Town & Town Lands	Good Condition	
7	License Office	Portion 123 of the Farm Town & Town Lands	Good Condition	
8	Amsterdam Library	Erf 1131 Amsterdam	Good Condition	

9	Amsterdam Office	Erf 1131 Amsterdam	Good Condition	
10	Driefontein Office	Ptn 58 (ptnofptn) of the Farm Roodekraal	Poor Condition	
11	Amsterdam Kwathandeka	Kwathandeka 194	Vandalized	
12	Amsterdam Kwathandeka	Kwathandeka 50	Vandalized	
13	Stores Office	Ptn 46 Piet Retief Town & Town Lands 149 – HT	Poor Condition	
14	Amsterdam Stores (Electrical)		Poor Condition	

WATER AND SEWER PLANT

LIST	PLANT	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Piet Retief Water Plant New		Fair Condition	
2	Piet Retief Water Plant Old	Portion 50 of Farm HT 148	Fair Condition	
3	Amsterdam Water Plant		Fair Condition	
4	Driefontein Water Plant		Fair Condition	
5	Piet Retief Sewer Plant	Piet Retief Town and Town Lands	Poor Condition	
6	Amsterdam Sewer Plant		Poor Condition	

LABORITY

LIST	LABORITY	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Piet Retief Sewer Plant	Piet Retief Town and Town Lands	Fair Condition	

STAND ALONE HOUSE

LIST	HOUSE	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Botha Street = 3	Remainder of 1136 Piet Retief Township 6A,6B,6C	Poor Condition	Mkhondo
2	Scwartz Street = 3	Remainder of 1136 Piet Retief Township 5A,5B,5C	Poor Condition	Mkhondo
3	Grobler Street = 8	Erf 326 (8,8A,8B,8C,8D,8E,8F,8G)	Poor Condition	
4	Water Works = 1	Portion 50 of Farm HT 148	Poor Condition	
5	Hydro Station = 1	Bankenkop Farm	Poor Condition	

FLATS

LIST	FLATS	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Flats = 5	Erf 96 Du Toit Street	Fair	Mkhondo
STAND ALONE UNITS				
LIST	UNITS	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Tourism Center = 12	Piet Retief Town & Town Lands	Fair	
HOSTEL				
LIST	HOSTEL	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Hostel House	494 Ethandakukhaya	Vandalized	
2	Hostel = 301	Consolidation of Erf but not formal	Poor Condition	
SPORTS GROUND				
LIST	GROUND	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Rugby Club	Erf 536 Piet Retief	Good Condition	
2	Kempville Sports Ground	Erf 428/2 Kempville	Vandalized	
3	Retiefville Sports Ground		Vandalized	
4	Masenkeni Sports Ground	Erf 1411 Ethandakukhanya	Fair Condition	
5	Mandla Magudulela Stadiu	Erf 823 Ethandakukhanya	Poor Condition	
6	Kwathandeka Sports Ground	Erf 602 Kwathandeka	Poor Condition	
OTHER BUILDING				
LIST	BUILDING	PROPERTY DESCRIPTION	STATUS	REGISTRATION
1	Country Club	Piet Retief Town & Town Lands 149	Fir Condition	
2	Pony Club	Portion of the Farm T/T 149 HT	Poor Condition	
3	Perdry Club	Portion of the Farm T/T 149 HT	Poor Condition	
4	Tuin Sentrum	Portion of the Farm T/T 149 HT	Poor Condition	
5	Rugby Club	536 Piet Retief	Good Condition	Mkhondo

3.16 YOUTH DEVELOPMENT

Youth development

1. Introduction

Based on the mandate of the National Youth Commission Act (1996) and the National Youth Development Policy Framework (2002), the NYP 2020 defines young people as those falling within the age group of 14 to 35 years. Although much has changed for young people since the advent of democracy in 1994, this is also consistent with the definition of youth contained in the African Youth Charter, which defines youth as those between the ages of 15 and 35 years.

Mkhondo Local Municipality has prioritized youth empowerment, development and beneficiation. The office of the executive Mayor houses the target group office, the Target Group office deals directly with youth empowerment, development and beneficiation thereof.

In his keynote address during the First Mkhondo Youth Empowerment Indaba, the Executive Mayor of Mkhondo, Cllr. VM Motha stated vividly that; "Youth development cannot be left to the young alone. We must all play a role – the young and the old. We are challenged to recognize the contribution we must all make to develop our young women and men. If we are to call ourselves an unbiased and caring social order, then we must recognize the duty we have to the defenseless, the young and the underprivileged. The youth is the future of this municipality and the country as a whole".

In the past, the apartheid-government not only violated the rights and opportunities of young people through its suppressive and racially-oriented system of coercion, it also denied any of the special needs of youth, particularly regarding education and economic opportunities. No recognition was given to the needs and concerns of young men and women, who were instead, left to find their own way in a difficult and ever changing society.

Mkhondo Local Municipality recognizes the contributions young people make to our society and Mkhondo strives to build upon the imagination, energy, vibrancy and talents of all young women and men within the Municipality.

Mkhondo has developed a more economical approach in terms of youth development, it is highly noted that most of the social ills engaged by the youth are caused by lack of economic opportunities. This is done in order to squarely address the factors which threaten the development of young people. Whether these exist as a legacy of apartheid or as a result of our own social practices, young women and men deserve fair treatment, a safe environment and a nurturing community.

1.1. Priority Target Groups for Youth in Mkhondo Local Municipality.

Mkhondo Municipality considers strongly the fact that the youth are not a homogeneous group and as such, the Mkhondo programmers, projects and strategies provide specific attention to the following youth groups that are more vulnerable:

- Young women
- Youth with disabilities
- Unemployed young women and men
- in and Out-of-school youth
- Rural and urban youth
- Youth at risk
- Youth in conflict with the law
- Young entrepreneurs who are already in the field and those intending to be part of business
- Unemployed graduates.

1.2. Streamlines for youth development

As stated above the youth is not a standardized group and as such, the plans for the Youth in Mkhondo, provide specific attention to the following streams for youth groups:

Hard Expertise Training; entails theoretical and practical training in relevant fields to enable the youth to render services in the locality and abroad;

Professional progress: entails creating access to education leading up to a qualification. The purpose is also for youth exposure to opportunities;

Youth as entrepreneurs: involves youth development as entrepreneurs in all sectors of the business economy and can be as contractors, project managers and professional service providers.

Making profitable art: Involves youth in the creative industry ranging from Poetry, Music, Craft artists, Traditional dancers and all relevant artistic work.

2. Education, Skills development and Training.

2.1. Bursaries

Through the skills and development office, Mkhondo Local Municipality managed to award 10 bursaries to academically deserving young people of Mkhondo. The young people originate from

various wards within the Mkhondo Local Municipality. The young People are in pursuit of courses in Forestry, Land planning and Surveying, Finance and Engineering.

2.2. Internship and Learnership

Mkhondo Local Municipality has also afforded 100 young people in various learnership programmers (Assistant Chef, Dressmaking and Landscaping) that was funded by the Department of Environmental affairs.

An additional 4 young people have been granted a chance to be interns in various sections of the finance department, the program is funded through the Services SETA.

2.3. Matric Academic Awards

Education is an important part of youth development, hence, Mkhondo Municipality hosted a Gala dinner to award the flagship performance performed by the Mkhondo Circuit during the 2018 academic year. Among other celebrations the Municipality awarded special awards to learners whose academic achievement were recognized nationally and provincially.

Learners were given among other amenities like Tablets, Laptops and Printers to assist them in their tertiary education. Numerous speakers were invited to motivate both teachers and learners during the event.

2.4. Recruitment Drive for Gert Sibande TVET College

Mkhondo Local Municipality Collaborated with GS TVET College through the Recruitment drive that assisted more than 250 people to interact with GS College. The drive rotated in various youth centers within the municipality and hence a number of young people were recruited to study at Gert Sibande TVET College.

2.5. University applications and funding application

On daily basis Mkhondo Local Municipality provides a platform for youth in school and youth out of school to apply for either university admission and or funding through NSFAS and other Bursaries. About 50 young people were transported by the Municipality to the University of Mpumalanga in order to finalize their application for admission. 15 young people were transported (and their registration fee was paid) to the Vaal University of technology through the collaboration with Wolf da Brand using the profits obtained during the hosting of the Annual Full moon event.

2.6. Handing over of School Uniforms

A total of 250 packs of uniforms (Trousers, shirts, socks and shoes) were donated and hence distributed to 250 indigent school learners from various schools including Ndelela, Nganana, Mlilo and Ndawonye. These uniforms were provided in collaboration with by the Department of Public Works road and Transport, SANLAM and the Gert Sibande District Municipality. All the uniforms were provided with sanitary towels to dignify the girl child in school.

2.7. NATIONAL YOUTH SERVICE (NYS) Recruitment

The National Youth Service (NYS) is a government initiative launched in August 2004 to engage young South Africans in community service activities in order to strengthen service delivery, promote nation-building, foster social cohesion & to assist youth to gain occupational skills necessary to access sustainable livelihood opportunities.

Eight unskilled & unemployed youth benefitted from this program. These young people were offered an opportunity to express their civic responsibilities in a structured manner.

2.8. Junior Council Launch

The Mkhondo Junior council was launched with the aim:

To promote the realisation of the Right of the Children in relation to their survival, development, growth and participation as entrenched in the constitution of South Africa and harmonized in a range of relevant legislation and other policies pertaining to Children and ;

To give a brief orientation to the public, particularly youth in school with regard to the powers & functions of all bodies within the Local Municipality.

The council was launched and the young Citizens elected the Mkhondo Local Municipality Junior Council composed of the Junior Executive Mayor, Junior Speaker of Council, Junior Chief Whip, Junior Members of the Mayoral Committee and 35 members of the Mkhondo Junior Council.

2.9. Career Guidance Workshops

Mkhondo Local Municipality in association with the Department of Social Development hosted numerous career guidance workshops in various schools and youth centers within Mkhondo Municipality. The workshops were aimed at addressing skills shortage within the youth as well as creating a platform for knowledge with regard to the critical skills in the labour market, thus avoiding the issue of unemployed graduates.

3. Business development, Support and incubation.

Noting the high unemployment rate in the country as a whole, Mkhondo municipality strives to create, support and assist the incubation of SMMEs, both in the formal and informal sector of the business economy.

3.1. SMME Drive

- The Municipality conducted an SMME Drive with the aim to share relevant business establishment, funding and incubation information. The drive interacted with more than 500 young people, either in business or aspiring to have businesses.
- The SMME drive resulted in the formalization of more than 50 youth owned SMMEs (Cooperatives and Private Companies).
- 5 youth owned Cooperatives in Amsterdam received business grants from the National Youth Development Agency (NYDA) of about R500 000, R50 000 each, for tools and assisting equipment. About 10 other SMMES from all over Mkhondo received Grants ranging from R10 000 to R50 000 for their businesses.
- The Small Enterprise Development Agency (SEDA) with the NYDA were tasked to provide continuous training for all the SMMES, training for entrepreneurship development and business finance management. The trainings include various information sharing sessions.

3.2. Youth in Business Breakfast

This platform was created to provide youth owned SMMEs to interact with role players in Business including those providing financial and non-financial support. The Department of Small Business development, TWK, The NYDA, Mpumalanga economic Growth Agency (MEGA) and the National Empowerment Fund (NEF) presented business loans and grants. The SEDA, Ayshepherd media and other relevant bodies presented non-financial support for SMMEs. Various SMMEs registered for support and they were assisted.

3.3. Business Incubation and taking advantage of the township economy.

BISCA, an incubator of SEDA was invited to incubate at least 50 youth owned bakery SMMEs. The program is in progress and the bakers are linked to relevant markets. More incubators from SEDA are still engaged to commence the incubation program for more sectors.

The Mkhondo Local Municipality hosted a successful dialogue based on the Spaza Shops, the aim was to take full advantage of the township economy, as well as to retain the township economy to the people of the township.

3.4. Showville talent Show

Mkhondo Municipality was fortunate to host the Showville talent. This platform provided young people with an opportunity to showcase a diversity of talents.

The Showville talent show is the SABC2's small-town talent-seeking competition that has been designed to search for rural talent.

Finalists were chosen and were then coached by mentors in preparation for a big show performance in front of their families and the town's audience. The winner got R10 000 and a trophy as the star of the Mkhondo town. Young people from Ndlela Secondary won the show.

4. Social development

4.1. Youth Empowerment Indaba

Mkhondo Local Municipality created a platform for all young people. People that are tasked with youth empowerment were invited to provide information and hence do an on-site recruitment if appropriate. This platform also provide young people a platform to interact with the Municipal leadership (administrative and political) on issues of youth significance.

A variety of Commissions were arranged to discuss relevant youth development issues.

4.2. Gender Based Violence dialogue

A number of Gender based violence dialogues have been conducted. The dialogues are aimed at creating awareness concerning the subject concerned and the will to reduce the national crisis that GBV have reached. Survivors, organizations that deal with GBV and role players in the justice of people were duly invited.

5. Youth Employment

Mkhondo Local Municipality duly recognizes young people during employment.

Through other programs including the EPWP program young people have been provided a bigger slice. The Community work program employed 636 young people, the EPWP programmer offered a chance to 213 young people and 42 were absorbed through the Siyathuthuka program.

The youth agenda is of a paramount importance in Mkhondo Municipality.

COMPONENT G:

3.17 TRAFFIC

- Our traffic officers are committed in executing traffic management within the boundary of Mkhondo. The working plan is structured to ensure that all month round there are officers in the road, before structuring of the current working system, our traffic officers were working a two shift system which means one shift will be on standby for a week and there other will be off. This system was implemented and worked very well, after considering road traffic challenges the municipality piloted a four hourly shift system whereby we have two shift in the morning and one in the afternoon. The purpose is to stretch our traffic personnel to all the surrounding towns and villages such as Saul Mkhizeville, Amsterdam, Iswepe and Emabola to ensure adherence to traffic legislation as required by the law. The municipality also introduced a system that is aimed at capacitating unemployed youth to become Traffic officer on the previous

financial year 2018/19 we have managed to train seven (05) officers on this program that started serving the municipality from January 2019 up to date and have also waiting for five (04) trainees that must complete their training on December 2019.

LAW ENFORCEMENT

The Municipality has introduced a new unit of Law Enforcement after challenges of land evasion, in compliance of car washers, fixing of vehicles in street, challenges of in compliance of business. After this introduction there is a minimal of the above mentioned challenges around the jurisdiction of the Municipality.

3.18 FIRE SERVICE

- It is the Unit that is constantly on alert if Accidents or Incidents occur, The unit is constantly responds to countless of events that are categorized as Major Risk such as House Fires, Veld Fire, Dangerous good vehicles spillages, Accidents involve motorists on motorists, stray animals, pedestrians etc. Its assistance play a huge role in mitigating risks associated with the unit.
- The fire and rescue services also do awareness programs at schools and crèche's where we train the teacher's emergency protocols regarding emergencies that may happen. We also did emergency evacuation training at all the clinics in Mkhondo where the personnel reserved training what to do in case of an emergency. We also did the same training at the hospitals. During the fire season we have a fire awareness program to inform the community in Mkhondo regarding the dangers of open fires. We also attended to Uzwelo home to do fire drill, Huis immergroen was also part of awareness program. We went with SAPS with search and seizure programs. We are the first responders but after the incidents are safe we do the duties of Disaster Officers, do assessment help with items if we have, like roof covers, gel stoves, blankets and information. All businesses that sell flammable substances must be inspected and get registration certificates from the department.

COMPONENT H: SPORTS AND RECREATION

3.19 PARKS, SPORT AND RECREATION

The municipality is responsible for maintenance of parks, gardens and recreational facilities within its boundaries. The maintenance activities includes but not limited to grass cutting, tree pruning, tree planting, tree removal/cutting, removal of weed and some alien invasive species e.g. bark weed, litter picking and planting of ornamental flowers in the municipal owned gardens. The section is also responsible for ensuring that public open spaces are cleaned and kept safe for the community to use.

The municipal recreational facilities remains without adequate recreational equipment especially for the children. Another challenge that the municipality is facing in this section is the inadequacy of personnel especially general workers. The municipality has partnered with some car-wash owners through the adopt-a-spot programmer to initiate a greener, more environmentally friendly areas in our townships.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT II)

ANNUAL PERFORMANCE REPORT 2018/19 BACKGROUND

Section 46 of the Municipal Systems Act, stipulates that the municipality must prepare for each financial year a performance report, reflecting the performance of the municipality during that financial year and a comparison of performance against the targets set as well as measures taken to improve performance. The annual performance report reflects the overall performance for the financial year 2018/19. The performance is based on the revised Integrated Development Plan (IDP) and revised Service Delivery and Budget Implementation Plan (SDBIP) for the year under review.

COMPARATIVE INFORMATION

As part of the mid-year performance assessment, the Municipality made significant changes to the IDP and SDBIP. These changes were undertaken in conformity with relevant laws and regulations. The need for these changes emanated from the audit conclusions issued by the Auditor General of South Africa (AGSA) during its 2017-2018 annual performance audit. The Municipality was therefore compelled to effect these changes as required by section 131 of the Municipal Finance Management Act (MFMA), where it is required to resolve all significant findings raised by the AGSA within 60 days. Therefore, the comparative information as required by Municipal Systems Act (MSA) section 46 was not prepared due to the fact that significant number of Key Performance Indicators (KPIs) is new.

OVERVIEW OF SERVICE DELIVERY ACHIEVEMENTS

The MLM continues to consistently provide effective basic services, as per its constitutional mandate, to its people with diligence and speed at all times.

The core services that the municipality provides – clean drinking water, sanitation, electricity, shelter, waste removal and roads are basic human rights, essential components of the right to dignity enshrined in our constitutional and bill of rights.

Much has been achieved by the municipality, with regard to service delivery, in the year under review. A total of 1500 new electricity connections were anticipated in our licensed areas and these projects commenced progressively in the 2018/19 financial year.

Water projects were significantly prioritized during the financial year, with milestone projects such as the Ajax reticulation project (water network), amongst others, standing out. There have been similar projects across the municipality, particularly in rural areas where this infrastructure is needed most. A total of 5800 megalitres of water were provided to the communities through water treatment works, water tankers and boreholes in the year under review.

Basic sanitation remains a core service delivery priority of the municipality. It is on this backdrop that the 2018/19 financial year saw the completion of the Rustplaas Sewer Reticulation project and a 60% completion of the targeted 242 dignified sanitation project. We must also note the completion of the Waste Water Package Plant constructed in Hartebeesfontein. The total eradication of pit toilet system remains a fundamental concern for the municipality and we commit ourselves and efforts in this regard.

With a road network of 986 km, most of which is gravel (+- 81%), the Mkhondo Local Municipality has made significant strides in maintaining and grading our gravel roads, particularly in the rural areas, where a total of 425,5 km were covered. Keeping in line with our efforts to maximise accessibility and an efficient transport network, the municipality completed the modifying of gravel roads in wards 2, 3 and 4 in Amsterdam to paved roads (paving blocks).

A total of 773 refuse collection trips to serviced areas were made in the 2018/19 financial year and 867 mass refuse container trips made, which is a vivid expression of the municipality's commitment to an effective and efficient waste management programme.

4.1 SUMMARY OF PERFORMANCE

Table 1: Summary of KPA Annual Performance

Department	Total Number of KPI Per Department	Not Achieve	Achieve	Achieve %
Basic Service Department	42	10	33	79%
Municipal Institutional Development and Transformation	20	-	20	100%
Local Economic Development	05	-	05	100%
Municipal Finance Viability and Management	13	-	13	100%
Good Governance and Public Participation	21	-	21	100%
Spatial Development & Rationale	12	-	12	100%
Total	113	10	104	92%

Table 2: Municipal performance

4.1.1 Basic Service Delivery (Strategic Objective) to ensure provision of Basic Services (Water, Electricity, Sanitation & Waste removal)

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
Electrical Services																
BSD 01	Number of fault Maintain on electrical network as per maintenance plan	Electrical Services	140	35	36	35	30	35	37	35	37	140	140	None	None	
BSD 02	Number of electricity meters installed	Electrical Services	500	175	35	175	8	175	28	175	73	700	144	There has been a delay with the appointed service provider appointed by the Council.	Follow up with the appointed services provider	
BSD 03	Number of meter boxes replaced	Electrical Services	30	10	4	10	4	5	3	5	13	30	24	Insufficient materials	Defer to the incoming Financial Year	
BSD 04	Number of bulk meters installed	Electrical Services	40	10	1	10	1	10	1	10	1	40	4	There has been a delay with the appointed service provider	Follow up with the appointed services provider	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
														appointed by the Council.		
BSD 05	Number of street lights maintained	Electrical Services	400	100	176	100	160	100	232	100	283	400	851	None	None	
BSD 06	% of reported electric faults attended to	Electrical Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
Water and Sanitation																
BSD 07	Number of water conservation and water demand management programs implemented	Water and Sanitation	11	3	5	3	1	2	3	3	1	11	15	None	None	
BSD 08	Mega liters of water provided to communities through	Water and Sanitation	5 800	1 450	1 953.505	1450	2073,223	1450	1981,0035	1450	2121.647	5800	8129.379	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	water treatment works/ water tankers and boreholes															
BSD 09	% of new water and waste water connections	Water and Sanitation	100%	100% as per request	100%	100% as per request	100%	100% as per request	100%	100% as per request	100%	100%	100%	None	None	
BSD 10	Number of bulk water meters acquired	Water and Sanitation	New	0	0	0	0	5	0	2	0	7	0	Due to financial constrain the project will no longer be implemented	Defer to the incoming financial year	
BSD 11	Number of water meters replaced	Water and Sanitation	New	25	23	25	34	25	30	25	26	100	113	None	None	
BSD 12	Number of publication report on water and waste water	Water and Sanitation	New	1	1	1	0	1	2 publication reports	1	1 publication report	4	4	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	compliance (Blue and Green drop)															
BSD 13	No of water and waste water by-laws Gazette	Water and sanitation	New	Finalization of the Draft by-laws		Public participation	Review by legal office	Approval by council	Not approved yet	Gazetting of 2 by-laws	Approved By-law approved 2 by council		0	Gazetting is the responsibility of the legal unity	Submitted to legal for gazetting	
BSD 14	Mega liters of waste water treated from water treatment works and septic tanks drained from household	Water and Sanitation	2 555	638	638,356	638	666,232	639	890,5065	640	905.417	2555	3100.5115	None	None	
Roads and Storm Water																
BSD 15	KMs of roads maintained and graded	Roads and Storm Water	40km	20km	62.9km	20km	36,7	20km	105.5km	20km	220.4km	80km	425,5km	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
BSD 16	Percentage of graves prepared	Roads and Storm Water	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
BSD 17	Number of Catch pits cleaned	Roads and Storm Water	120	30	76	30	64	30	60	30	103	120	303	None	None	
BSD 18	Square meters (M²) of tar road potholes repaired	Roads and Storm Water	16 800m²	4 200m²	1954.83 m²	4 200m²	4357m²	4200m²	5358m²	4200m²	5473.3m²	16 800m²	17143.13 m²	None	None	
BSD 19	Meters of storm water systems maintained	Roads and Storm Water	5000m	1000m	3542M	1000m	5469m	1000m	2687m	1250m	3389m	5000m	15087m	None	None	
Waste Management																
BSD 20	Number of refuse collection trips to serviced areas	Waste Management	816	204	203	204	205	204	178	204	188	816	774	Truck not in operation	Truck taken to the mechanic for repairs	
BSD 21	Number of streets cleaned	Waste Management	15	15	15	15	15	15	15	15	15	15	15	De street erroneous omitted in	A revised street list inclusive of De Wet will	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	in the CBD														be populated	
BSD 22	Number of mass refuse container trips made	Waste Management	208	52	213	52	211	52	261	52	182	208	867	None	None	
BSD 23	Number of reports on landfill sites compliance	Waste Management	New	1	1	1	1	1	1	1	1	4	4	None	None	
BSD 24	Number of stakeholders awareness and clean-up campaigns held	Waste Management	4	1	7	1	1	1	3	1	6	4	17	None	None	
BSD 25	Number of monthly waste reports submitted to Department of Environmental Affairs	Waste Management	12	3	3	3	3	3	3	3	3	12	12	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	via South African Waste Information System															
BSD 26	Number of waste summits on waste and environmental management coordinated	Waste Management	1	0	0	0	0	0	0	1	1	1	1	None	None	
Public Safety																
BSD 27	Number of road blocks conducted	Public Safety	20	7	10	10	4	7	7	6	12	30	33	None	None	
BSD 28	Number of road safety awareness campaigns conducted	Public Safety	32	8	9	8	7	9	9	9	9	34	34	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	ed															
BSD 29	Meters of Road Markings covered	Public Safety	New	1250m	1375m	1250m	1611m	1250m	892m	1250m	2912m	5000m	6790m	None	None	
BSD 30	Number of fire awareness mess campaigns conducted	Public Safety	15	4	4	4	3	4	11	4	25	16	43	None	None	
Infrastructure Development																
BSD 31	% of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	PMU	Existing borehole	50% of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	94% of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	100% of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	98 % of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	Hand over 100% complete	99 % of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein		100% Complete	100% of Water Bulk Line(phase 2)Constructed of Driefonten to Iswepe and Haartebeesfontein	100% Complete	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
BSD 32	% of gravel road constructed to Paving Blocks in Amsterdam Extension 2, 3 & 4	PMU	Gravel roads	50%	71%	100%	95% complete		99% complete of 3km road.		100% complete of 3km road.	100% Paved Road constructed to Paving Blocks in Amsterdam Extension 2, 3 & 4	100% Complete	None	None	
BSD 33	% of main access road constructed in Sandbank village.	PMU	In the process of construction of a bridge	100% Completion of 1 culvert bridge	80% construction of the culvert bridge	100% Completion of 1 culvert bridge	45% progress Completion of 1 culvert bridge	100% Completion of 3km gravel road	45% progress to reach complete.		45% progress to reach complete.	100% completion of Two culvert bridges plus 3km of gravel road	45% construction of 1 culvert bridge	Project was stop due to poor workmanship	New services provider has been acquired and recovery of the expenses are in place	
BSD 34	% M ² of storm water drainage constructed	PMU	New	25% of area to be identified	80% M ² of Storm water drainage constructed	25% of area to be identified	88% M ² of Storm water drainage constructed	25% of area to be identified	96% M ² of Storm water drainage constructed	25% of area to be identified	0	Storm water drainage	96% M ² of Storm water drainage constructed	Funds were move to other moving projects	None (Projects are to intervene as of when is needed)	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
BSD 35	% of Refurbishment of Kempville sports ground in Mkhondo.	PMU	New	Appointment of service provider	Service Provider appointed	Site establishment and clearance	45% complete	70% Rehabilitation of Kempville sports ground in Mkhondo	Changing rooms, guard house, fence, and layer works of field. 75% overall progress	80% Rehabilitation of Kempville sports ground in Mkhondo	85% overall progress	100% completion of Rehabilitation of Kempville sports ground in Mkhondo	85%	None	None	
BSD 36	% of 242 Dignified sanitation Constructed	PMU	210	100% Appointment of service provider	100% Appointed of service provider (Constructor)	0	0	50% constructed	55% completion of the project. 11 out of 15 contractors have installed the top structures.	100% completion of the project	60% of 242 Dignified sanitation Constructed	100% of 242 Dignified sanitation constructed	60% of 242 Dignified sanitation constructed	Supply didn't deliver the entire material (Funding moved to other moving projects)	A new services provider has been appointed, the remainder of the target was moved to the 2019/20 financial year	
BSD 37	% of Waste Water Treatment Work Constructed at eThandukukhanya	PMU	Sewer flowing into a stream	Appointment of service provider (consultants)	0	Design approval	Consultant appointed	-	-	50% overall progress	Design Approvals	50 % Waste Water Treatment Work	0	Main contractor not yet appointed due to delays of the finalization of the Design	Fast track the appointment of the main contractor	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
BSD 38	% of bulk water and reticulation network Constructed at Dr. Pols Village	PMU	Borehole	Appointment of service provider (consultants)	Service Provider appointed	Design approval	Design completed		15% construction	50% construction of bulk water and reticulation network Constructed at Dr. Pols Village	60% of bulk water and reticulation network Constructed at Dr. Pols Village	50% bulk water and reticulation network Constructed at Dr. Pols Village	60% of bulk water and reticulation network Constructed at Dr. Pols Village	None	None	
BSD 39	Electrification of Mangosuthu, Group 10, Oosloop and Eziphunzini.	PMU	No Lights	0	0	0	0	Appointment of service provider (consultants)	Service provider appointed	Designs approval	Preliminary design	Approved Design	Approved Design	None	None	
BSD 40	% of High Mast Lights Installed	PMU	New	Appointment of service provider and site establishment	Appointment letter issued	Installation of High Mast Lights	0	Installation of high mast lights to be at 50%	70% construction	100% completion	100% completion	100% High Mast installed	High Mast installed	None	None	
BSD 41	% of Waste Water Package Plant constructed at Haartbeesfont	PMU	New	60% progress	90% achieved	65% progress on package plant	95%	100% complete	96,3 overall progress		100% completed	100% of Waste Water Package Plant constructed at	100% Completed	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Per	Reason	Mediation	Grid
	ein											Haartebeesfontein				
BSD 42	% of construction of Rustplaas Sewer reticulation	PMU	New	80% Complete reticulation	85%	100% Completion	98% construction	Package plant and reticulation on 100% completion	Package Plant on 100% complete	-	-	100% of construction of Rustplaas Sewer reticulation	100% Completed	None	None	

4.1.2 MUNICIPAL INSTITUTIONAL DEVELOPMENT and TRANSFORMATION-To ensure Good Governance

No	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
MITD 01	Number of by-laws approved gazette	Legal Services	3	0	0	1	0	1	0	1	3	3	3	None	None	
MITD 02	% SLA and Contracts drafted within 30 days	Legal	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
MITD 03	% Consultation with attorneys	Legal	100%	100%	100%	100%	100%	100%	100%	100%	4 Consultations were held	100%	100%	None	None	
MITD 04	% of mid-year performance evaluation facilitated on all senior management	PMS	100%	0	0	0	0	100%	100%	0	0	100%	100%	None	None	

No	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
MITD 05	% of year end performance evaluation facilitated on all senior management	PMS	100%	100%	0	100%	0	100%	100%	100%	0	100%	100%	None	None	
MITD 06	Number of Quarterly Performance Reports Compiled	PMS	4	1	1	1	1	1	1	1	1	4	4	None	None	
MITD 07	Number of Annual report compiled	PMS	1	0	0	1	1	0	0	0	0	1	1	None	None	
MITD 08	Number of PMS feedback sessions conducted	PMS	4	1	1	1	1	1	1	1	1	4	4	None	None	
MITD 09	Approval and review of audit committee charter	Internal Audit	New	0	0	0	0	0	0	1	1	1	1	None	None	
MITD 10	Approval of Internal Audit (IA) plan	Internal Audit	Approved IA Plan	0	0	0	0	0	0	1	1	1	1	None	None	
MITD 11	Approval and review of IA charter	Internal Audit	Approved IA Charter	0	0	0	0	0	0	1	1	1	1	None	None	
MITD 12	Number of quarterly internal audit reports submitted to audit committee	Internal audit	4	1	1	1	1	1	1	1	1	4	4	None	None	

No	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
MITD 13	Number of risk management and fraud prevention committee meetings held	Risk Management	1	1	1	1	1	1	1	1	1	4	4	None	None	
MITD 14	Number of strategic risk assessment workshops conducted	Risk Management	1	0	0	0	0	0	0	1	1	1	1	None	None	
MITD 15	Number of quarterly reports on risk management	Risk Management	1	1	1	1	1	1	1	1	1	4	4	None	None	
MITD 16	Number of risk implementation plans approved	Risk Management	1	1	1	0	0	0	0	0	0	1	1	None	None	
MITD 17	Development of the IDP process plan	Planning and Development	Annual reviewed IDP process plan	Adopt final IDP Process plan 2019/2020	1 Process plan	0	0	0	0	0	0	1	1	None	None	
MITD 18	Annual review of the IDP	Planning and Development	Reviewed IDP 2018	-	0	-	0	0	0	Adopt final IDP review 2019/2020.	1	1	1	None	None	
MITD 19	Review of Spatial Development Framework (SDF)	Planning and development	Review SDF (3rd quarter)	-	0	Adopt Final SDF	0	0	0	0	Council Resolution item no. 19/06/319A.	1	1	None	None	
MITD 20	Review of Wall to wall Land Use Scheme (LUS)	Planning and development	Draft LUS	-	0	Adopt Final LUS	0	0	Comments received are still being incorporated.	0	Council Resolution item no. 19/06/318A.	1	1	None	None	

4.1.3. LOCAL ECONOMIC DEVELOPMENT-To ensure economic development

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
LED 01	Number of exhibitions organized	Planning and Development	4	1	1	1	2	1	1	1	1	4	5	None	None	
LED 02	Number of SMMEs and co-ops supported	Planning and Development	5	0	0	0	2	0	3	5	3	5	8	None	None	
LED 03	Review of LED strategy	Planning and Development	Adopted LED Strategy	0	0	0	0	0	Draft LED Strategy was circulated for comments.	Draft LED Strategy.	1	1	1	None	None	
LED 04	EPWP Policy Development	Planning and Development	None	0	0	1	1	0	0	0	0	1	1	None	None	
LED 05	Number of hectares (ha) replanted	Forestry	85	25	0	25	199.5	25	63.9	25	0	100	263,4	None	None	

4.1.4 MUNICIPAL FINANCIAL VIABILITY and MANAGEMENT-To ensure financial viability

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Actual Perf.	Reason	Mediation	Grid
MFVM 01	% of customers billed within 10 days of each month	Finance Department	100%	100%	89.55%	100%	59.19%	100%	64.06%	100%	109.04%	100%	100%	None	None	
MFVM 02	% of monthly revenue collected	Finance Department	75%	75%	65%	80%	67.3.3%	85%	46%	90%	76.61	90%	90%	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Actual Perf.	Reason	Mediation	Grid
MFVM 03	% of approved and registered indigent households receiving free basics services.	Finance department	1043	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
MFVM 04	% of capital budget spent on capital projects	Finance Department	100%	25%	40%	50%	66.2%	75%	75%	25%	75%	100%	100%	None	None	
MFVM 05	% of operational budget spent on operational projects	Finance Department	100%	25%	34%	50%	75%	75%	75%	100%	100%	100%	100%	None	None	
MFVM 06	Number of fixed assets verification conducted	Finance Department	New	0	0	0	0	1	1	1	1	2	2	None	None	
MFVM 07	Number of monthly asset reconciliation conducted	Finance Department	New	3	3	3	3	3	3	3	3	12	12	None	None	
MFVM 08	Number of stock counts conducted	Finance Department	2	1	1	1	1	0	0	1	1	2	2	None	None	
MFVM 09	Number of Section 71 & 72 reports submitted to National Treasury	Finance Department	12	3	3	3	3	3	1	3	2	12	12	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Actual Perf.	Reason	Mediation	Grid
MFVM 10	Number of monthly bank reconciliation approved	Finance Department	12	3	3	3	3	3	1	3	2	12	12	None	None	
MFVM 11	Number of SCM quarterly reports completed	SCM	4	1	1	1	1	1	1	1	1	4	4	None	None	
MFVM 12	% of tenders advertised within 90 days	SCM	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
MFVM 13	Number of procurement plan approved	SCM	1	1	1	0	0	0	0	0	0	1	1	None	None	

4.1.5 GOOD GOVERNANCE and PUBLIC PARTICIPATON-To ensure efficient and effective public participation and information communication technology

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
GG 01	% vacancies filled as per requests received	Corporate Services	75%	18%	18%	38%	38%	75%	47.83%	75%	76.60 %	75%	75%	None	None	
GG 02	Number of health and safety workshops conducted	Corporate Services	20	5	5	5	5	5	5	5	5	20	20	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
GG 03	Number of bursaries offered	Corporate Services	10	0	0	0	0	10	8	-	-	10	8	None	None	
GG 04	% of new employees inducted	Corporate Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
GG 05	Work-place skills plan submitted annually	Corporate Services	1	0	0	0	0	-	-	1	1	1	1	None	None	
GG 06	Number of training interventions facilitated	Corporate Services	35	10	12	5	18	10	14	10	10	35	54	None	None	
GG 07	Number of Employment Equity Report submitted annually	Corporate Services	1	0	0	0	0	1	1	0	-	1	1	None	None	
GG 08	Number of Mayoral Imbizo/outreach coordinated	Corporate Service	4	1	2	1	3	1	9	1	4	4	18	None	None	
GG 09	Number of women and children events organized	Corporate Services	2	1	2	1	2	0	3	0	1	2	8	None	None	
GG 10	Number of MMC,HIV, STI and AIDS programmers held	Corporate Services	4	2	8	2	8	2	8	2	5	8	29	None	None	
GG 11	Number of municipal publications produced	Corporate Services	4	1	1	1	1	1	4	1	5	4	11	None	None	
GG 12	Cleaning Services	Corporate Services	10	10	10	10	10	10	10	10	10	40	40	None	None	

No.	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
GG 13	Number of Records Management System Reports Produced	Corporate Services	12	3	3	3	3	3	3	3	3	12	12	None	None	
GG 14	Number of Reports on Record Training	Corporate Services	4	1	2	1	0	1	1	1	2	4	5	None	None	
GG 15	Number of Youth Intervention programmers conducted	Corporate Services	4	4	7	4	7	4	6	4	6	16	26	None	None	
GG 16	% of ICT queries responded to within 24 hours	ICT	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
GG 17	Number of monthly offsite backups conducted	ICT	12	3	3	3	3	3	3	3	3	12	12	None	None	
GG 18	% compliance to Section 75 (MFMA) requirements in terms of the Website updating monthly	ICT	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
GG 19	Number of clean-up campaigns in Amsterdam	Satellite Office	4	1	1	1	1	1	1	1	1	1	4	None	None	
GG 20	Number of Halls Cleaned Per month	Satellite Office	Cleaning Schedule issued	12	12	12	12	12	12	12	12	48	48	None	None	
GG 21	Number of Consumer awareness campaign conducted	Satellite Office	4	1	1	1	1	1	1	1	1	1	4			

4.1.6 SPATIAL DEVELOPMENT and RATIONALE

No	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
SDR 01	% of building plans processed within 30 days	Planning and Development	95%	100%	100%	100%	100%	100%	100 %	100%	100%	100%	100%	None	None	
SDR 02	% of building inspections conducted as per request	Planning and Development	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 03	% of contravention notices issued on all illegal building work identified	Planning and Development	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 04	Number of households inspected for illegal buildings and business operations	Planning and Development	7000	1500	1513	1500	1500	1500	1500	1500	1500	6000	6013	None	None	
SDR 05	% of non-compliance notices issued on all illegal land use identified	Planning and Development	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 06	Number of areas for formalization	Planning and Development	New	0	0	0	0	0	0	2	Eziphunzini (eThanduku khanya Ext 9) Surveying Assessment completed.	2	2	None	None	
SDR 07	Processing of township establishments	Planning and Development	2	0	0	0	0	0	0	2	Seven (7) Township Establishment Applications were processed.	2	7	None	None	

No	KPI	Unit	Baseline	Q1	ACT. 1	Q2	ACT.2	Q3	ACT.3	Q 4	ACT.4	Annual Target	Act. Perf.	Reason	Mediation	Grid
SDR 08	% of Section 86 applications processed	Planning and Development	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 09	% of beneficiaries registered on the NHNR Database against received applications	Planning and Development	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 10	% of general queries attended to against received public enquiries	Planning and Development	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	
SDR 11	Number of consumer education sessions initiated	Planning and Development	4	1	1	1	3	1	1	1	4	4	4	None	None	
SDR 12	% of beneficiaries allocated against allocation from DoHS	Planning and Development	New	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	None	None	

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.2 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipal organization structure provides for 769 permanent positions. At financial year end 486 positions were filled with a staff turnover of 5%. All new appointments are made taken into consideration the implementation of the Employment Equity Act 55, 1998 and according to the demographic profile of the municipality; Black employees constitute 96.71%, Coloured 1.44%, Indian 0.41 % and White employees at 1.44 % of the total workforce at the end of the financial year. Male employees constitute 60.70% whilst female employees are 39.30 %.

The Municipal Manager is the head of the organization supported by General Managers. The organizational structure provides for five General Managers, each responsible for a service delivery area. One Senior Manager supports the Municipal Manager on internal audit whilst the General Manager: Financial Services is supported by four Senior Managers to perform the financial functions as per the Municipal Systems Act (MSA) and Municipal Finance Management Act (MFMA). The General Manager: Technical Services is further supported by the Senior Manager: Project Management to implement MIG projects.

Workforce Profile

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	5	0	0	0	1	0	0	0	0	0	6
Senior management	11	1	0	1	6	0	0	1	0	0	20
Professionally qualified and experienced specialists and mid-management	16	0	0	1	19	0	0	0	0	0	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	49	1	0	3	31	1	1	0	0	0	86
Semi-skilled and discretionary decision making	106	1	1	1	56	2	0	0	0	0	167
Unskilled and defined decision making	97	1	0	0	73	0	0	0	0	0	171
TOTAL PERMANENT	284	4	1	6	186	3	1	1	0	0	486

4.2.1 COMMENT ON VACANCIES AND TURNOVER:

All vacancies are being advertised in the press according to policies in this regard. All Senior Management positions are being occupied; acting appointments could be made where there were

vacancies. Internal staff can apply for promotional positions where they are qualified, skilled and experienced. Internal promotions were done where our internal candidates were found to be more capable. The Employment Equity plan is always taken into consideration with appointments. Depending on scarcity of skills in the labour market, the filling of positions varies depending on what qualification and experience is required. The target is to fill a vacancy within a time span of three months after request to fill such positions are received.

The reason for turnover is mainly as result of resignations, retirement, death, and dismissals. Employees mainly resign as result of career advancement. We have an active Employee Assistance Programme in place. There is also a long service recognition award system in place which was implemented in terms of the conditions of service. However, due to other institution offering more benefits than we can afford, it is not always possible to retain scarce and critically skilled employees through efforts made.

Disciplinary actions taken during 2018/19

POSITION	NATURE OF ALLEGED MISCONDUCT	DATE OF SUSPENSION	DETAILS OF DISCIPLINARY ACTION TAKEN OR STATUS OF THE CASE	DATE FINALIZED
Superintendent Rural Water Supply Scheme	Unauthorized use of council vehicle	Not suspended	Finalized	15 May 2019
Superintendent Electrical	Assault and intimidation	Not suspended	Finalized	26 August 2019
Refuse Remover	Transgression	Not suspended	On progress the matter will continue on the 12 th of December 2019	Not yet finalized
Senior Manager Public Safety	Unlawfully and intentionally misled the municipality	Not suspended	On progress, employer to respond on point in-limine	Not yet finalized
Team Leader Road Maker	Unlawfully and intentionally misled the municipality	Not suspended	On progress, employer to respond on point in-limine	Not yet finalized
Road Maker	Unlawfully and intentionally misled the municipality	Not suspended	On progress, employer to respond on point in-limine	Not yet finalized
Accountant Debt & credit control	Unlawfully issued the clearance certificate	10 June 2019	On progress, employer to respond on point in-limine	Not finalized
Supervisor Solid Waste refuse removal & parks	Malicious Damage to employers property	18 April 2019	finalized	16 October 2019

Municipal Systems Act 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

An Employment Equity Plan has been developed and implemented and annually reviewed. Annual reports are being sent to the Department of Labour annually as required by law.

Regular OHS inspections and safety audits are done during the year to ascertain health and safety risks. Departments were advised in terms of its safety risks. OHS related training was done on a regular basis (e.g. first aid, safety representative etc.). Accidents and injuries on duty were investigated in terms of relevant legislation. Sick leave was monitored by Heads of Departments and proper record was kept of all leave and sick leave taken. Where necessary, officials may be sent to a Council appointed medical practitioners for clarity in cases of extended sick leave.

In order to ensure that the organization's effectiveness is increased, the Municipality annually conducts personal need analysis, and makes the necessary provision in the Municipal Budget. Since the existence of the human resources is not only sufficient towards effectiveness and efficiency of the organization, the Municipality annually develops Workplace Skills Plan after conducting the training needs analysis and provide the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, machinery etc.

The employees are trained as per Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs and the allocation is as far as possible at $\pm 1\%$ of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2.2 POLICIES

Necessary policies, systems, procedures and mechanisms are put in place to ensure organizational development. These include, but also not limited to, Recruitment, selection, training, discipline, retention of staff, External Bursaries. The development of employees assist them to function as sustainable human beings, to develop to their full potential, assist to create an environment to find exciting and challenging work, increase the effectiveness of the organization in terms of its goals.

Changes in business process and changing environment requires the organization to review its organizational structure.

4.2.3 INJURIES, SICKNESS AND SUSPENSIONS (TERMINATED EMPLOYEES)

A total of 22 employees terminated their services with Mkhondo Local Municipality during the Financial Year. The distribution is as follow:

DEPARTMENT	PERMANENT	MALE	FEMALE	YOUTH
Office of the Municipal Manager	2	n/a	2	1
Technical Services	2	1	1	n/a
Corporate Services	1	1	n/a	1
Community Services	9	6	3	2
Financial Services	7	3	4	4

Planning Development	and	1	1	n/a	n/a
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Kindly refer to paragraph 4.2.1 above for suspension during the year.

INJURY ON DUTY

Job title	Incident date	Type of Incident	Injuries sustained
Senior Firefighter	22/12/2018	Motor vehicle accident while en-route to incident	Upper abdomen and left hand
Firefighter	22/12/2018	Motor vehicle accident while en-route to incident	Conscious minor injury
General worker (Roads)	27/04/2019	Struck by another player while playing soccer on an official sports event	Right ankle and knee

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.3.4 SKILLS DEVELOPMENT AND TRAINING

In order to ensure that the organization's effectiveness is increased, the Municipality annually conducts personal need analysis, and makes the necessary provision in the Municipal Budget. Since the existence of the human resources is not only sufficient towards effectiveness and efficiency of the organization, the Municipality annually develops Workplace Skills Plan after conducting the training needs analysis and provide the necessary training depending on the available financial resources. Training also assists in adapting to environmental changes. The employees are also provided with all the necessary tools including, but not limited to, ICT tools, furniture, machinery etc.

The employees are trained as per Workplace Skills Plan adopted by the employer and labour. The budget allocated is never sufficient to assist with all the training needs and the allocation is as far as possible at $\pm 1\%$ of the personnel budget. All the General Managers are trained to be compliant with the MFMA competency regulations.

TRAINING PROGRAMMES ATTENDED BY COUNCILLORS

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
34 th IMPSA International Conference	1	1	0	Not NQF Aligned
Municipal Leaders Media & Stakeholder Engagement Programme	3	2	1	5
Municipal Public Accounts Committee Guide & Toolkit Workshop	6	3	3	5
Capacity Building Workshop on Fire Services	1	0	1	5
Local Labour Forum	2	1	1	Not NQF Aligned
Integrated Councillor Induction Programme	38	19	19	Not NQF Aligned
Senior Leaders Development	1	1	0	8
Human Settlement Councillor Training	2	1	1	5
Financial Management Skills Programme for MPAC	6	3	3	5

TRAINING PROGRAMMES ATTENDED BY MANAGERS

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
Innovative Partnership for Rural Development Programme Learning Forum	1	0	1	5
2 nd African Labour Law Society Conference	1	0	1	Not NQF Aligned
21 st Annual Conference	1	0	1	Not NQF Aligned

How to Develop an Assets Management Plan	1	0	1	5
The Inaugural Local Government Human Resource Best Practice Seminar	3	1	2	5
Monitoring and Evaluation	2	0	2	5
CIGFARO Annual Conference	3	3		Not NQF Aligned
Fleet Management	1	0	1	5
The Planning Africa 2018 Conference	1	1	0	Not NQF Aligned
LGSETA Research Seminar Series	1	1	0	Not NQF Aligned
34 th IMPSA International Conference	1	0	1	Not NQF Aligned
Capacitation of Tourism Practitioners (LED, Planning & Infrastructure Development	1	0	1	Not NQF Aligned
Municipal Leaders Media & Stakeholder Engagement Programme	1	1	0	5
Capacity Building Workshop on Fire Services	1	1	0	5
Local Labour Forum	6	5	1	Not NQF Aligned
BPub Administration Hons	1	1	0	8
Discretionary Grant Workshop	1	0	1	5
Senior Leaders Development	3	2	1	8
Project, IDP and Budget Setup	2	2	2	4
CaseWare	2	2	0	4
2 nd Annual Local Government Labour Law Seminar	1	1	0	Not NQF Aligned
Fixed Assets	1	0	1	4
10 th CIGFARO Audit & Risk Indaba	2	2	0	Not NQF Aligned
Risk & Strategy Tools and Process	1	1	0	Not NQF Aligned
National Minimum Wage Seminar	2	1	1	Not NQF Aligned

TRAINING PROGRAMMES ATTENDED BY OFFICIALS

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
Munsoft ICT Forum	2	0	2	5
ORHVS	4	4	0	5

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
Innovative Partnership for Rural Development Programme Learning Forum	3	1	2	5
Land Use Management	2	0	2	5
Business Continuity Management	2	1	1	5
Executive Leadership	2	1	1	5
How to Develop an Assets Management Plan	1	1	0	5
Monitoring and Evaluation	1	1	0	5
CIGFARO Annual Conference	4	2	2	Not NQF Aligned
Fleet Management	1	1	0	5
The Planning Africa 2018 Conference	2	1	1	Not NQF Aligned
Office Management	3	1	2	4
Public Participation Coordinators	1	0	1	5
34 th IMPSA International Conference	1	0	1	Not NQF Aligned
Municipal Public Accounts Committee Guide & Toolkit Workshop	1	0	1	5
Plumbing	31	28	3	2
Water Analysis & Monitoring	1	1	0	5
Local Labour Forum	11	7	4	Not NQF Aligned
Water and Wastewater Process Control	11	8	3	3
Front Desk Operations & Telephone Skills	1	0	1	4
Task Job Evaluation Evaluator Training	2	0	2	5
Stores	2	2	0	4
Sundry Debtors, Sundry Registry	4	0	4	4
Project, IDP and Budget Setup	2	1	1	4
Fixed Assets	2	2	0	4
Supply Chain, Mini Tender, Procurement, Credit Setup	2	1	1	4

TRAINING PROGRAMME	NUMBER OR ATTENDEES	MALE	FEMALE	NQF LEVEL
2 nd Annual Local Government Labour Law Seminar	2	1	1	Not NQF Aligned
10 th CIGFARO Audit & Risk Indaba	4	1	3	Not NQF Aligned
National Minimum Wage Seminar	1	0	1	Not NQF Aligned
Cashier	4	0	4	4
NC: Plant Construction	2	1	1	5
Human Settlement Councillor Training	4	1	3	5
Financial Management Skills Programme for MPAC	1	0	1	5

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.2.5 EMPLOYEE EXPENDITURE AS PER AFS 2018/19

Employee remuneration	
Basic Pay	R 105 ,437 ,930.00
Bonus	R 8, 173, 608.00
Housing benefits and allowances	R 1, 713, 210.00
Leave pay	R 665,488.00
Medical aid	R 7, 907, 751.00
Overtime payments	R 11, 563, 995.00
Pension	R 22, 233, 129.00
SDL	R 1, 319, 230.00
Standby	R 8, 248, 549.00
Subsistence and other allowances	R 5,372,932.00
Unemployment insurance Fund	R 817, 244.00
WCA	R 434.00
TOTAL	R 173, 453, 000.00
Remuneration of Councillors	
Executive mayor	R 847, 409.00
Chief whip	R 702, 565.00
Speaker	R 540, 105.00
Councillors salaries	R 12, 204, 321.00
Councillors pension	R 757, 604.00
TOTAL	R 15, 052, 004.00
Total employee costs	R 188, 505, 004.00

CHAPTER 5: FINANCIAL PERFORMANCE

Chapter 5 contains information regarding financial performance and highlights specific compliments. The chapter comprises of four components, namely:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investment
- Component D: Other Financial Matters

The overall operating results achieved for the past financial year closed off with an operating Deficit of R98,266,054 compared to the budgeted operating surplus of R61,165,338. The total revenue for the year amounts to R668,39,300 (2018: R601, 103,160) which reflects an increase of 11.2%. The total operating expenditure for the year is R766,657,354 (2018: R660,810,456) which reflects an increase of 16.02%

The total capital expenditure capitalized for the year in respect of property, plant and equipment amounted to R133,566,360 which is less than the previous financial year, which amounted to R151,251,238.

Cash and short term investments increased by 68.78% i.e. amounts to R5,812,426 from R3,443,923 from the previous year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE INTRODUCTION TO FINANCIAL PERFORMANCE

*Note: Statements of Revenue Collection Performance by vote and by source are included at **Appendix K**.*

REVENUE

Operating revenue from exchange transactions for the year amounts to R217,984,505 (2018: R200,623,305) which reflects an increase of 8.66%. Operating revenue from non-exchange transactions for the year amounts to R450,406,795 (2018: R400,479,855) which reflects %. Included in the operating revenue from non-exchange transactions are government grants and subsidies to the value of R353,463,074, this constitutes 52.89% of total revenue.

Service charges jointly make 25.31% of total revenue, which translates to an increase of R21,342,927 from the previous reporting period. Sale of electricity remains the largest source of income and contributes 74% of service charges.

Property rates constitute 6.54% of total revenue, which translates to an increase of R3,853,483 from the previous financial year. Interest received increased by 22.27% from R21,186,310 to R25,904,481. Other income decreased by 36.14% from R28,387,838 in 2018 to R18,127,101 in 2019.

EXPENDITURE

The total expenditure for the year is R766,657,354 (2018: R660,810,456) which reflects an increase of 16.02% from the previous financial year. The main expenditures are employee related costs which amounted to R188,505,504, bulk purchases at R129,752,920, contracted services at R113,374,695, general expenses at R 83,265,924 and non-cash items of depreciation and debt impairment at R137,039,370 and R 81,819,951 respectively.

Transfers and subsidies provided decreased by 36.54% from R 5,473,471 to R 3,473,151. This was as a result of a decrease in the number of indigent households registered for free basic services. Capital expenditure for the year amounted to R133,566,360 which was financed through MIG and own funding.

GRANTS

Government grants and transfers

Below is a summary of grants and transfers for MLM for the period 2016/2017.

Description	2017					Purpose of the grant
	Original Budget	Adjustments	Final Adjustment Budget	Actual Performance	Unspent portion	
Equitable share	209,448,000	-	209,448,000	209,448,000		This grant is an unconditional grant and is partially utilised for provision of free basic services
MIG	76,735,000	-	76,735,000	76,735,000		To provide specific capital finance for basic municipal infrastructure back logs for poor households, micro enterprises and social institution servicing poor communities
FMG	2,215,000	-	2,215,000	2,215,000		This grant is used to promote and support reforms to municipal financial management and to fund the internship programme
EPWP	2,281,000	-	2,281,000	2,281,000		The expanded public works programme is a special performance based incentive to create job opportunities to previously unemployed people
INEP	27,000,000	-	27,000,000	27,000,000		This grant is used address the electrification backlog of residential dwelling in low income areas

COMMENT ON CONDITIONAL GRANTS AND TRANSFERS:

Conditional grants were spent in full with the exception of INEP and comprises of:

Municipal Infrastructure Grant (MIG)
Financial Management Grant (FMG)
Integrated National Electrification Programme (INEP)
Expanded Public Works Programme Incentive Grant (EPWP)

5.3 ASSETS MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

Overview of Asset Management

The Municipality has an Asset management policy which was developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset Management within the municipality is overseen by the Chief Finance Officer.

Fixed Asset Register (FAR)

The Chief Financial Officer established and maintained a fixed asset register. A fully Compliance FAR to GRAP 17 is essential to ensure that it contains key financial data on each item of property, plant and equipment that satisfies the criterion for recognition.

Staff involvement and delegations

The Chief Financial Officer delegated by the Accounting Officer to ensure that investments in the municipality's assets are safeguarded and properly maintained. The Asset management team which is headed by a Senior Manager needs to ensure that appropriate physical management and control systems are established and maintained for all assets and that the municipal resources assigned to officials are utilized effectively, efficiently, economically and in a transparent manner.

5.4 CAPITAL PROGRAMME BY PROJECT: 2019

See Appendix I

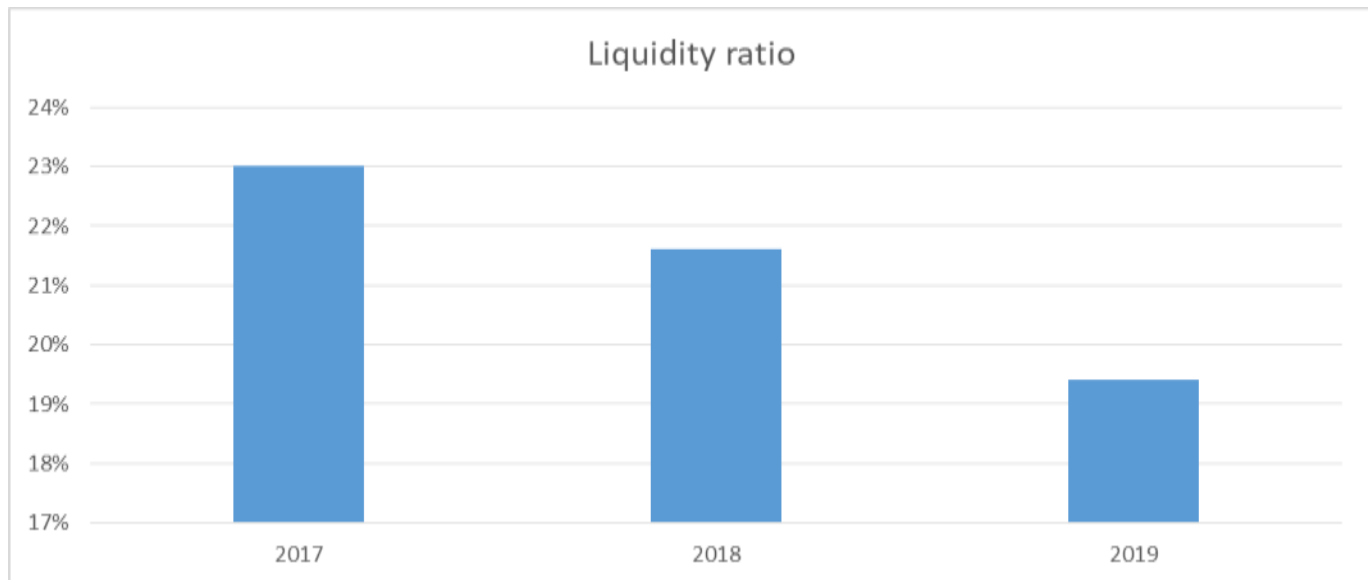
5.5 MAINTENANCE OF ASSETS

	Original Budget	Adjustment Budget	Final Budget	Actuals	Variances
Repairs and Maintenance	19,165,300	2,286,574	21,451,858	25,240,375	(3,788,517)

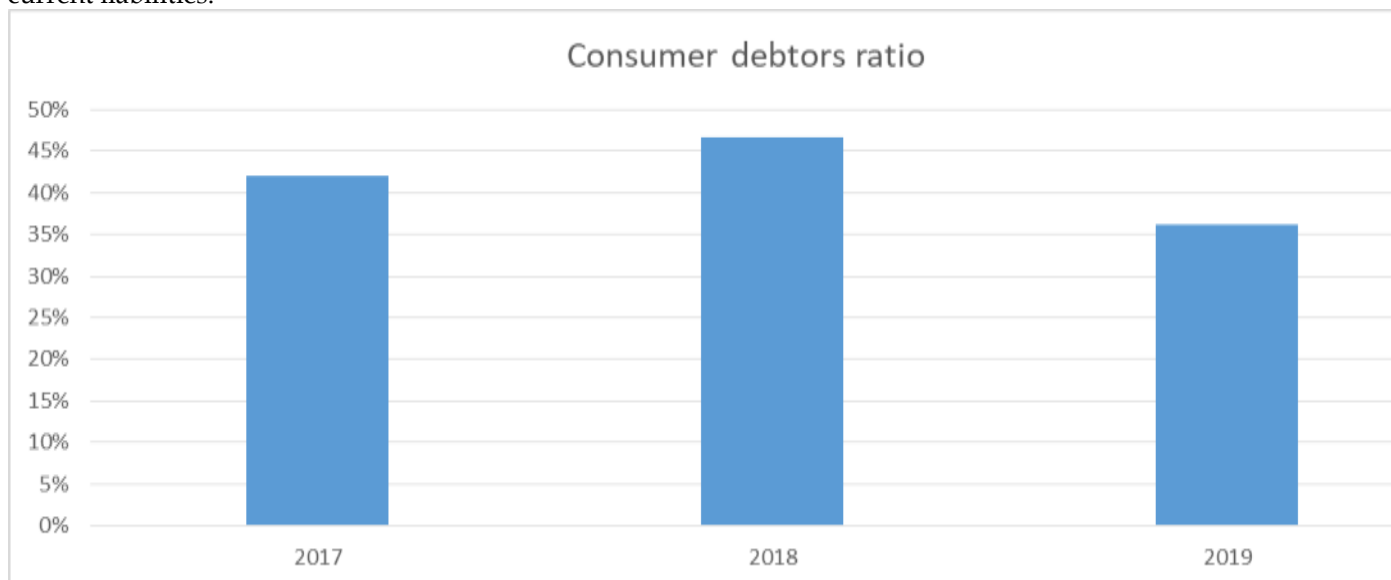
COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The aging infrastructure of the municipality in actual fact requires that larger amount should be made available for the maintenance and replacement of especially water pipes. However the pressure placed on budget provision for the extension of infrastructure to cater for new developments limits the availability of funds for maintenance purposes. The intention is to substantially increase maintenance expenditure in future budgets of the municipality.

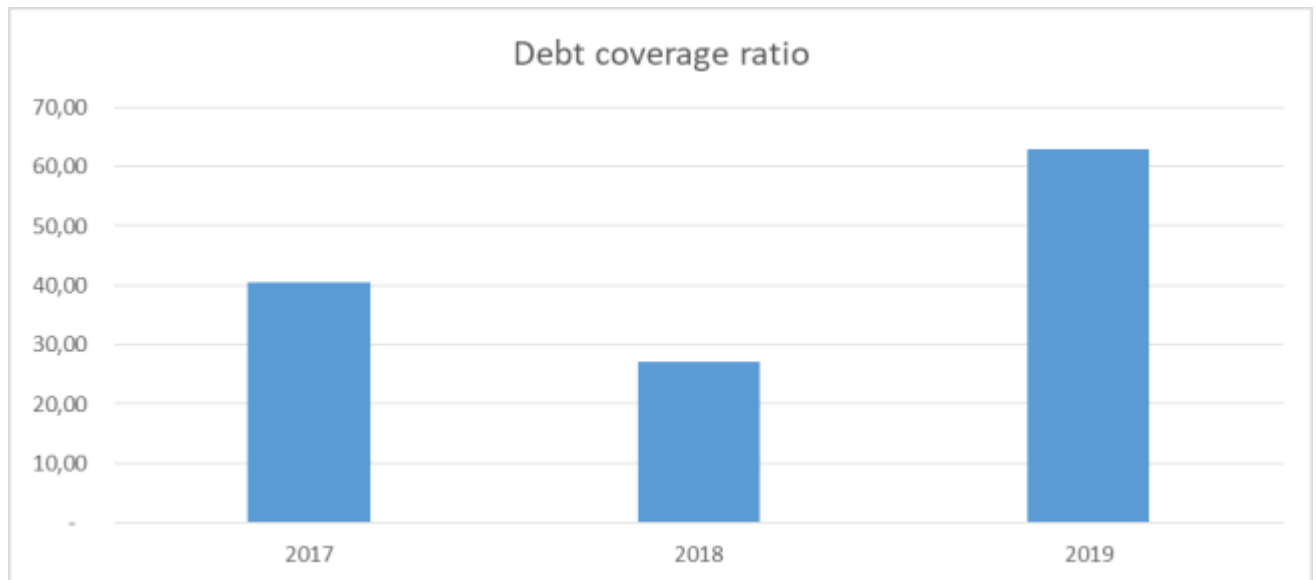
5.6 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



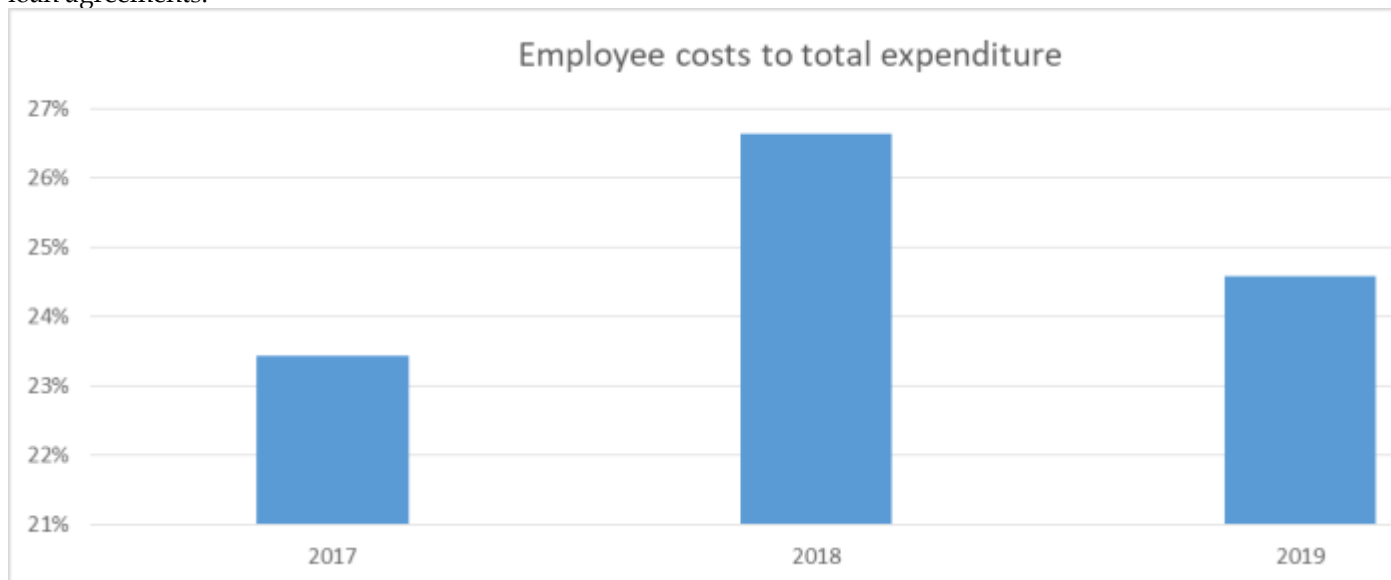
Liquidity Ratio – Measures the municipality’s ability to pay its short term liabilities and is calculated by dividing the monetary assets (due within one year) by the municipality’s current liabilities. A higher ratio is better. The norm ranges between 1.5 and 2:1. The trend highlighted above indicates a deterioration of the Liquidity ratio which declined from 0.57 in 2014 to 0.23 by 2017. The ratio is under pressure due to the ever escalating Eskom account which constitutes a large portion of the current liabilities.



Consumer Debtors Service Ratio – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better. The ratio slightly improved in 2019 to 36%. The Municipality will continue to make more efforts in collecting the outstanding amounts through the implementation and monitoring of the developed revenue enhancement strategy.



Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the municipality. The Municipality had not been taking any new loans and as such the debt coverage ratio is improving as repayments are made within the stipulated timeframes as the loan agreements.



Employee related cost including councillors remuneration – Measures the extent of remuneration to total expenditure. It is calculated by dividing the total employee cost by total operating expenditures. Norm 25% to 40%, the municipality's ratio for the 2017 financial year is 29%, which is within the norm.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

COMMENTS ON SPENDING AGAINST CAPITAL BUDGET AND SOURCES OF FUNDING

Capital expenditure relates mainly to the construction of assets that will have service potential lasting over many years. Capital expenditure is funded from grants and internally generated revenue. During the financial year under review capital expenditure towards the acquisition of property, plant and equipment amounted to R133,566,360.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Proper cash flow management is a critical element to ensure the municipality meets its obligations as they fall due. A stable positive cash flow balance relative to the growth of the municipality is a good indication of the municipality financial position and health. Cash flow projections are done on a monthly basis and cash not immediately required are invested for a better return in the short term.

COMMENT ON CASH FLOW OUTCOMES:

The net cash flow from operating activities indicates a positive cash flow of R127,505,280. An amount of R133,566,367 was utilized on investment activities mainly to purchase property, plant and equipment.

Considering the above cash movements, the net cash and cash equivalent at the end of the year amounted to R5,812,426. The net cash position of the municipality has remained stable over the past three years. This is a good indication that the municipality has and will meet its obligations in the foreseeable future (albeit cash flow constraints).


5.9 BORROWINGS AND INVESTMENTS

NEW BORROWINGS

External borrowings or loans are obtained to supplement the municipal capital programmes. During the financial year under review the Municipality obtained short term loans of R25,000,000 from TWK. Twenty million of the loan was repaid during the year to leave a balance of R5,000,000 as at 30 June 2019.

INVESTMENTS

THE MUNICIPALITY HAD THE FOLLOWING INVESTMENT ACCOUNTS AS AT 30 JUNE 2019.

 MKHONDO MUNICIPALITY												
MKHONDO LOCAL MUNICIPALITY												
INVESTMENT REGISTER - JUNR-2019												
	ABSA - 2056165426	ABSA - 5008322939	Oldmutual - Frontiers - 13093141	FNB- Equatable share- 62016967351	FNB- EPWP 62706895911	FNB_MIG 62706890911	FNB_INEP_ 62706893890	FNB_WSIG 62706897214	FNB_FMG 62706892280	FNB - 62016967351	FNB - 62254274732	Total
Opening Balance - shares	-	-	-	-	-	-	-	-	-	-	-	-
Opening unit price	-	-	-	-	-	-	-	-	-	-	-	-
Opening Balance	31,471.97	8,350.91	425,501.36	31,221.48	15,465.45	55,207.10	10,651.79	50,074.30	30,312.48	9,966.83	-	668,213.67
Add new investment	-	-	-	6,750,000.00	-	-	-	-	-	-	-	6,750,000.00
Add Interest	1,935.67	513.62	-	7,994.02	73.09	173.94	50.34	157.77	143.26	76.02	-	11,117.73
Fair Value Adjustment(Growth)	-	-	15,150.19	-	-	-	-	-	-	-	-	15,150.19
Less Withdrawal	-	-	-	(6,781,000.00)	-	(55,000.00)	-	(50,000.00)	-	-	-	(6,886,000.00)
Less admin fees	-	-	(1,487.44)	-	-	-	-	-	-	-	-	-
Closing Balance	33,407.64	8,864.53	439,164.11	8,215.50	15,538.54	381.04	10,702.13	232.07	30,455.74	10,032.85	-	558,481.59

SUMMARY OF INVESTMENT AND DESCRIPTIONS FOR MLM AS AT 30/06/2019

1. Fixed Deposit - ABSA: 5008322939. This is a fixed term investment account. The investment is with effect from 24 September 1993 on a three month reinvestment period. Interest rate is 5% per annum.
2. Fixed Deposit - ABSA: 2056165426 .This is a fixed term investment account effective from 09 March 2004 on a three month reinvestment period. Interest rate is 4.74% per annum.
3. Listed Shares - Old Mutual: 13093141 - This is an Old Mutual Wealth Life wrapped Investment. Commencement date is 25 June 2002 with an initial amount of R3 539 867.76.This investment was disposed during the financial year.
4. FNB Call accounts: These are short term deposits for investment of excess cash.

COMPONENT D: OTHER FINANCIAL MATTERS

5.10 SUPPLY CHAIN MANAGEMENT

Council has developed a Supply Chain Management Policy and Practices in compliance with the guidelines set down by the Supply Chain Management Regulations, 2005.

The municipality has established a three (3) bid committee system comprises of specification, evaluation and adjudication. No councillors are members of any of the committees dealing with supply chain processes.

Supply chain officials regularly attend accredited training modules to meet the requirements of the minimum competency levels as set out by National Treasury. The unit as at the 30th June 2017 had 13 officials.

5.11 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practices and it provides the practices by which Municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders.

Information on GRAP compliance is needed to enable

National Treasury to assess the pace of progress and consider implications thereof. The municipality is currently not fully GRAP compliant on all the required GRAP standards as has been confirmed by the findings of the Auditor

CHAPTER 6: Auditors General's Findings; Appendices; and Volume II: AFS



AUDITOR-GENERAL
SOUTH AFRICA

The Accounting officer
Mkhondo Local Municipality
P.O Box 23
Piet Retief
2380

Date: 3 December 2019

Reference: 02394Reg 18/19

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Mkhondo local Municipality for the year ended 30 June 2019

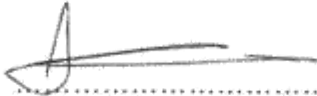
1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa [section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the Municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
6. Please notify the undersigned Business Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



.....
Senior Manager: Mpumalanga Business unit

Enquiries: Patience Ntuli

Telephone: (012) 756 0800

Fax: (012) 756 0879

Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Mkhondo Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mkhondo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mkhondo Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the re-assessment of the useful lives of assets, as the municipality did not have adequate systems in place to support the re-assessment. I could not confirm the amounts by alternative means. In addition, there were differences between the conditional assessment performed by the municipality and what was reported in the fixed asset register for some of the assets, which resulted in assets being valued incorrectly. Furthermore, the municipality did not maintain proper systems to record and account for all assets under its control, as there were assets that could not be traced to the fixed asset register. I was unable to determine the full extent of the misstatement, as it was impracticable to do so.
4. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 612 251 574 (2017-18: R1 655 878 965) and depreciation stated at R136 727 239 (2017-18: R131 023 751) in notes 10 and 37 to the financial statements, respectively. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Investment property

5. I was unable to obtain sufficient appropriate audit evidence for the re-assessment of the useful lives of assets, as the municipality did not have adequate systems in place to support the re-assessment. I could not confirm the amounts by alternative means. In addition, there were differences between the conditional assessment performed by the municipality and what was reported in the fixed asset register for some of the assets, which resulted in assets being valued incorrectly. I was unable to determine the full extent of the misstatement, as it was impracticable to do so.
6. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R18 185 455 (2017-18: R19 418 743) and depreciation stated at R278 681 (2017-18: R903 552) in notes 9 and 37 to the financial statements, respectively. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Context for the opinion

7. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
8. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. I draw attention to note 59 to the financial statements, which indicates that the National Treasury intends to invoke section 216(2) of the Constitution due to the failure to adopt a funded budget. As stated in note 59, this event indicates that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses – electricity

13. As disclosed in note 57 to the financial statements, material electricity losses of R40 369 130 (2017-18: R42 404 706) were incurred, which represented 32% (2017-18: 37%) of the total electricity purchased.

Material losses – water

14. As disclosed in note 57 to the financial statements, material water losses of R616 862 (2017-18: R1 271 460) were incurred, which represented 22% (2017-18: 31%) of the total water purchased.

Material impairments

15. As disclosed in note 6 to the financial statements, the consumer debtors balance was significantly impaired. The allowance for the impairment of consumer debtors amounted to R359 067 324 (2017-18: R292 717 020), which represented 90% (2017-18: 88%) of the total consumer debtors. The contribution to the provision for debt impairment was R66 350 304 (2017-18: R64 274 047).

Unauthorised expenditure

16. As disclosed in note 54 to the financial statements, the municipality incurred unauthorised expenditure of R256 242 032, due to overspending of the approved operational budget.

Fruitless and wasteful expenditure

17. As disclosed in note 55 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R17 238 719, due to interest charges on overdue accounts.

Irregular expenditure

18. As disclosed in note 56 to the financial statements, the municipality incurred irregular expenditure of R32 036 822, as it did not follow a proper tender process.

Other matter

19. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

20. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

21. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
22. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

23. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
24. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
26. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

27. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objective	Pages in the annual performance report
Objective 3.1 – provision of basic services	xx – xx

28. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
29. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

Objective 3.1 – provision of basic services

Various indicators

30. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that should enable reliable reporting of actual service delivery against the indicators below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes, and formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to validate the existence of systems and processes by alternative means.

Indicator description	Reported achievement
% of main access road constructed in Sandbank village	45%
% M ² of storm water drainage constructed	96%
% of Waste Water Treatment Work Constructed at eThandukukhanya	0%

Various indicators

31. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of targets in the instances below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes, and formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement as reported in the annual performance report.

Indicator description	Reported achievement
Number of street lights maintained	851
Megaliters of water provided to communities through water treatment works/water tankers and boreholes	5 800

Various indicators

32. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievement of these indicators was as follows:

Planned target	Reported achievement	Audited value
Number of meter boxes replaced	24	30
Number of mass refuse container trips made	867	722
% of graves prepared	100%	90%

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 30 to 32 of this report.

Adjustment of material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of provision of basic services. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

36. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
37. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of payables and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
39. The annual financial statements were not submitted to the auditor-general, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
40. Written explanations setting out the reasons for the failure to submit the financial statements within two months after the end of the financial year to the auditor-general, for auditing, were not tabled in the council as required by section 133(1)(a) of the MFMA.

Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
42. An adequate management, accounting and information system was not in place to recognise expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.

43. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R256 242 032, as disclosed in note 54 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by expenditure exceeding the budgeted amount due to poor controls over the monitoring of the budget.
44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R17 238 719, as disclosed in note 55 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was as a result of interest paid on late payments to suppliers.
45. Reasonable steps were not taken to prevent irregular expenditure amounting to R32 036 822, as disclosed in note 56 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the Preferential Procurement Regulations.
46. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

Asset management

47. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
48. Capital assets were disposed of without the municipal council, in a meeting open to the public, having decided on whether the assets were still needed to provide the minimum level of basic municipal services and having considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Procurement and contract management

49. Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of preferential procurement regulation 4(1) and 4(2) of 2017.
50. Some of the commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by preferential procurement regulation 8(5) of 2017.
51. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
52. Some of the bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017.

Consequence management

53. Unauthorised expenditure amounting to R256 242 032 was not authorised through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

Other information

54. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and the selected objective presented in the annual performance report that has been specifically reported on in this auditor's report.
55. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
56. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
57. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
58. I have nothing to report in this regard.

Internal control deficiencies

59. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
60. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
61. Management did not ensure that controls were implemented over daily and monthly processing and reconciling of transactions.
62. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
63. Management did not review and monitor compliance with applicable laws and regulations.

64. The audit committee and internal audit function did not positively influence the audit opinion, as their recommendations were not implemented effectively.

Auditor-General

Mbombela

3 December 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

APPENDICES A – COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

List of councillors					
No.	Name	Gender	Organization	Designation	Ward No.
1	Cllr. R.P. Hlatshwayo	Female	ANC	Ward Councillor	1
2	Cllr. T.S. Nkosi	Male	ANC	Ward Councillor	2
3	Cllr. D.M. Ntshakala	Male	ANC	Ward Councillor	3
4	Cllr. S.D. Thwala	Male	ANC	Ward Councillor	4
5	Cllr. J.P. Makhathini	Male	ANC	Ward Councillor	5
6	Cllr. T.S. Mafuyeka	Male	ANC	Ward Councillor	6
7	Cllr. J.L.I. Brussow	Female	DA	Ward Councillor	7
8	Cllr. M.Z. Ngwenya	Male	ANC	Ward Councillor	8
9	Cllr. T.W. Manana	Male	ANC	Ward Councillor	9
10	Cllr. M.D. Ntuli	Male	ANC	Ward Councillor	10
11	Cllr. B.C. Mkhwanazi	Male	ANC	Ward Councillor	11
12	Cllr. T.B. Nkosi	Female	ANC	Ward Councillor	12
13	Cllr F.C. Mthethwa	Female	ANC	Ward Councillor	13
14	Cllr. Z.J. Mnisi	Male	ANC	Ward Councillor	14
15	Cllr. S.M.N. Bophela	Male	ANC	Ward Councillor	15
16	Cllr. S T Zulu	Female	ANC	Ward Councillor	16
17	Cllr. S.Z.Yende	Male	ANC	Ward Councillor	17
18	Cllr. M.L. Yende	Male	ANC	Ward Councillor	18
19	Cllr. D.L. Ngobeza	Male	ANC	Ward Councillor	19
PR Councillors					
20	Cllr G.T. Nkosi	Female	ANC	PR Councillor	9
21	Cllr V.M. Motha	Male	ANC	PR Councillor	15
22	Cllr T.P. Hlatshwayo	Female	ANC	PR Councillor	4
23	Cllr C.B. Mkhwanazi	Female	ANC	PR Councillor	5
24	Cllr B.M. Khumalo	Female	ANC	PR Councillor	7
25	Cllr D.M. Thwala	Female	ANC	PR Councillor	6
26	Cllr S.S. Mathebula	Female	ANC	PR Councillor	
27	Cllr B.J. Vilakazi	Female	ANC	PR Councillor	1
28	Cllr B.J. Mchunu	Male	ANC	PR Councillor	3
29	Cllr K.D. Masondo	Female	ANC	PR Councillor	2
30	Cllr T.E. Khumalo	Female	ANC	PR Councillor	13
31	Cllr R.J.A Wilson	Male	DA	PR Councillor	11
32	Cllr S.J. Methula	Male	DA	PR Councillor	12
33	Cllr S.C. Mahlobo	Male	DA	PR Councillor	8
34	Cllr P.E. Thabede	Male	EFF	PR Councillor	10
35	Cllr S.A. Mwelase	Male	EFF	PR Councillor	17
36	Cllr N.N. Zulu	Female	EFF	PR Councillor	14
37	Cllr J. Ngwenya	Female	APC	PR Councillor	17
38	Cllr T.P. Mncube	Male	IFP	PR Councillor	18

ATTENDANCE REGISTER – COUNCIL 2018/2019 FINANCIAL YEAR

NO.	INITIALS & SURNAME	30 Aug 2018	13 Dec 2018	20 Dec 2018	25 Jan 2019	01 Feb 2019	26 Feb 2019	29 Mar 2019	03 Apr 2019	31 May 2019	27 June 2019	TOTAL
				2018 Special	2019 Special			2019 Special			Special	
1.	Councillor G T Nkosi											10 of 10
2.	Councillor V M Motha											10 of 10
2.	Councillor M L Yende											10 of 10
4.	Councillor T Ex Khumalo											09 of 10
5.	Councillor Z J Mnisi											10 of 10
6.	Councillor S D Thwala				x							09 of 10
7.	Councillor C B Mkhwanazi					x						09 of 10
8.	Councillor B J Mchunu											10 of 10
9.	Councillor D M Thwala			x								09 of 10
10.	Councillor B J Vilakazi			x								09 of 10
11.	Councillor B M Khumalo								x			09 of 10
12.	Councillor S Mathebula				x			X				08 of 10
13.	Councillor T P											10 of 10

14.	Hlatshwayo Councillor Masondo	K	D				10 of 10
15.	Councillor Hlatshwayo	R	P				10 of 10
16.	Councillor T S Nkosi				X		09 of 10
17.	Councillor Ntshakala	D	M			x	09 of 10
18.	Councillor Makhathini	J	P				10 of 10
19.	Councillor Mafuyeka	T	S	x			09 of 10
20.	Councillor Ngwenya	M	Z				10 of 10
21.	Councillor Manana	T	W				10 of 10
22.	Councillor M D Ntuli						10 of 10
23.	Councillor Mkhwanazi	B	C				10 of 10
24.	Councillor T B Nkosi						10 of 10
25.	Councillor Mthethwa	F	C				10 of 10
26.	Councillor Bophela	S	M	N			10 of 10
27.	Councillor T S M Zulu						10 of 10
28.	Councillor S Z Yende						10 of 10
29.	Councillor Ngobeza	D	L				10 of 10
30.	Councillor Ngwenya	J	RX		X		08 of 10
31.	Councillor Brussow	J	L	I			10 of 10
32.	Councillor S J Methula			X		X	08 of 10

[illegible]

MAYORAL COMMITTEE MEETINGS FOR 2018/2019 FINANCIAL YEAR – ATTENDANCE REGISTER

NO.	INITIAL AND SURNAME	08 AUG 2018	25 OCT 2018	28 NOV 2018	24 JAN 2019	26 FEB 2019	19 MAR 2019	24 MAY 2019	TOTAL
1	Clr V M Motha	1 of 1							7 of 7
2	Clr T E Khumalo	0 of 1							7 of 7
3	Clr z j mnisi	1 of 1			x				6 of 7
4	Clr s d Thwala	1 of 1						x	6 of 7

APPENDICES E

Ward Committees Programme

- Mkhondo Local Municipality has 19 Ward Committees established. The aforesaid committees provide an enabling environment for community members to take part in planning, implementing and monitoring service standards at ward level.
- Ward Committees function effectively in all 19 wards,
- Community concerns/ issues are represented to council properly,
- IDP/Budget consultations are conducted successfully.

B2B Programme

- Mkhondo Local Municipality enforces compliance with the provisions of the Municipal Systems Act on community participation.
- Stakeholder engagements sessions are conducted on quarterly basis to ensure increased customer satisfaction with municipal service delivery.

Operation Vuka Sisebente Programme

- Mkhondo Local Municipality has 19 Ward Based War Rooms established that serve to bring a range of community structures and service providers together with sector departments with the aim to make life easy for the residents.
- Ward War Rooms function effectively and meetings are held regularly on monthly basis. Assessment meetings are convened as per planned schedule on quarterly basis.

APPENDICES F

WARD COMMITTEE MEETINGS HELD DURING THE PERIOD UNDERVIEW

Ward	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
1	03	03	03	03
2	03	03	03	03
3	03	03	01	02
4	02	02	02	01
5	-	03	03	03
6	03	01	03	03
7	03	02	02	03
8	02	02	02	03
9	03	03	03	03
10	03	03	03	03
11	03	03	03	03
12	03	02	03	-
13	03	03	03	03
14	03	03	03	03
15	02	03	02	02
16	02	02	03	02
17	03	03	03	-
18	03	03	03	03
19	03	03	03	02

PUBLIC MEETINGS HELD DURING THE PERIOD UNDERVIEW

Ward	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
------	-------------------------	-------------------------	-------------------------	-------------------------

1	01	01	03	01
2	01	-	01	02
3	-	01	01	01
4	02	-	-	01
5	01	01	01	01
6	02	03	01	02
7	-	-	-	01
8	03	01	03	02
9	01	01	03	02
10	01	-	01	01
11	-	01	01	02
12	-	-	01	01
13	01	01	-	02
14	01	-	03	01
15	-	-	01	01
16	-	-	01	02
17	01	01	01	01
18	01	02	-	01
19	04	02	04	02

WAR ROOM MEETINGS HELD DURING THE PERIOD UNDERVIEW

Ward	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
1	02	02	03	03
2	03	03	03	03
3	03	02	02	01
4	02	02	03	03
5	03	01	02	03
6	01	01	02	02
7	03	-	03	02
8	03	01	02	01
9	03	01	03	03
10	03	03	03	03
11	03	-	03	02
12	02	01	02	-
13	-	-	-	-
14	03	03	03	02
15	-	-	-	-
16	02	01	03	02
17	02	01	01	01
18	01	02	01	-
19	03	01	03	03

APPENDIX G – Audit Committee Report

Audit Committee Report

CHAIR PERSON OF THE AUDIT COMMITTEE

WE ARE PLEASED TO PRESENT THE OVERSIGHT REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL PERIOD ENDING 30 JUNE 2019

1. Audit Committee Members and Attendance

In terms of the Municipal Finance Management Act (MFMA) and the Mkhondo Local Municipality's Audit Committee Charter, approved by Council. The Audit Committee must consist of a minimum of three members who must be external independent members. None of the members may be Councilors.

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved Charter. During the period under review Five (5) meetings were convened during the year ended 30 June 2019.

Name of member	Attended	Apologies*	Total
Ms C. Niemba (Chairperson)	4	1	3
Mr A.Y Singh Member	3	2	3
Mr C Mohalaba* Member	3	2	3
Adv. C Weapond Member	3	2	3

2. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2) (b) of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter to regulate its affairs in compliance with the Charter and to discharge all its responsibilities contained therein for the 2018/19 financial year.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, amongst other things, the following:

- Advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to
 - a) Internal financial control and internal audits;
 - b) Risk management;
 - c) Accounting policies;

- d) The adequacy, reliability and accuracy of reporting and information;
- e) Performance management;
- f) Effective governance
- g) Compliance with this Act, the annual Division of Revenue Act and any other applicable Local Government legislation;
- h) Performance evaluation; and
- i) Any other issues referred to it by the municipality
- Review the Annual Financial Statements of the municipality;
- Respond to the council on any issues raised by the Auditor General in the audit report;
- Carry out such investigations into the financial affairs of the municipality as requested by council.

The Audit Committee has approved the updated following policies:

- a) Audit Committee Charter;
- b) Internal Audit Charter;
- c) Internal Audit Methodology, and
- d) Rolling three years Strategic Internal Audit Plan for the period ending 30 June 2020 and one year operational plan for the period ending 30 June 2019.

The internal Audit Plan has been implemented during the financial year 2018/19 and reports were submitted to the committee for the two quarters and the committee had significant reservations with the internal audit reports tabled at meetings highlighting weakness of the control environment.

INTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT UNIT

The Committee submits that the Internal Audit Unit had done Internal Quality Assessment reviews and the report was presented to the committee, with the assistance of Provincial Treasury. The committee noted a lot of improvement of the internal audit function through conformance with the Institute of Internal Auditors auditing standards and some partial conformance has also been noted due to past experiences by previous leadership of suspending the CAE. The independence of the Internal Audit Function has to be enforced.

There are several recommendations cited by the report as follows:

- The Internal Audit Charter should be updated to reflect the requirements of the mandatory elements of the International Professional Practices Framework, as well as the nature of assurance and consulting services,
- The Internal Audit Methodology should be updated to reflect the latest Standards and to incorporate the quality assurance and improvement program requirements, treatment of disagreements between internal audit and management,
- The organizational independence of the Internal Audit Activity, through the functional reporting line to the Audit and Performance Committee, should be enforced and protected.
- The municipality should consider using electronic working papers and tools – there should be a provision in the budget for the required license fees.

The Committee would like to place on record its gratitude and commend the improvement of the Internal Audit function at the municipality and the support rendered by the Provincial Treasury on the exercise.

The Committee also request management to assist the function with budget to implement the quality Assessment recommendation for improvement of the function to prepare for external quality review.

Recommendations:

The Audit Committee strongly recommends that the Municipality support Internal Audit by Purchasing of Audit software and licenses as cited by the Quality Assessment report.

The Audit Committee strongly recommends that Internal Audit Manager and his team implement the recommendations of the Internal Quality Assessment.

2.1 The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The Audit Committee submits that the lack of implementations of Internal Audit and Auditor General findings compromise the effectiveness of the internal controls at the municipality. It also affects the municipality not getting the clean audit opinion. The Audit Committee was also disappointed on the Municipality Audit outcome from Auditor General to be qualified on Assets Management as it was not even audited by Auditor General, this components, the previous financial year.

Control weaknesses

On Financial statement review the Audit Committee was not given The Municipality's Asset management register for review.

Auctioned Assets in 2017 were not paid to the municipality account to date.

Payments made to the underperformed consultant who did the municipality Asset Register at June 2018.

Technical Services: General Manager was off sick for approximately 6 months and no one at the municipality appointed to act on this position to direct report to the Accounting Officer.

The other matter that is still critical is the reporting of Performance of Audit information (PMS) which during the fourth quarter shows a bit of improvement. The PMS which has been raised above is still needs improvement to address all control weaknesses at the municipality.

Accordingly, we can report that the system of internal control for the period under review was not effective due to the above mentioned points, none proper implementation of the PMS leaves management systems in the municipality implemented but not properly functioning.

3. EFFECTIVENESS OF INTERNAL AUDIT UNIT

The primary role of the unit is to provide management with assurance on the effectiveness and adequacy of internal control. Internal Audit unit reports administratively to the Municipal Manager and functionally to the Committee. The Committee approved the following administrative documents for the unit:

- i. Internal audit Charter & Audit Committee Charter
- ii. Annual Internal Audit Plan for 2018/2019
- iii. Three year Internal Audit Strategic Plan 2018/19 - 2019/20
- iv. Internal Audit Methodology

The committee monitors and evaluate the implementation of the internal audit plan and provide feedback to management on the work performed by the internal audit unit. The committee reports that the internal audit plan for the First and Second quarters period ending 30 December 2018 was fully implemented and internal audit reports are presented to the committee. The Committee received internal Audit reports for the period and scrutinised them for significant deficiencies. Cognisance is also taken of management comments provided by management and the Committee trust management would implement corrective measures to rectify control deficiencies environment.

The Audit Committee was satisfied with the work performed by the internal audit unit but the governance was destabilised by the Critical positions not filled i.e. General Manager Technical was off-sick for 6 months and no one appointed to act during the period, as this is a very important department of the municipality for service delivery.

In view of the audit findings, it is imperative that management put in place sound internal control to strengthen its control environment.

The Audit committee expressed gratitude to management by not regressing on an audit opinion. Urged management to monitor closely the work of the newly appointed service provider dealing with Assets and Financial statements, request management to implement the Action plan to address all the audit findings by Auditor General to achieve an improved audit opinion in the financial year under review.

4. Review of Annual Financial Statements and Accounting Practices

The Committee has reviewed the 2017/18 draft financial statements of the Municipality before submission to the Auditor-General (the AGSA) for auditing and was satisfied that they complied with the applicable reporting framework.

However noted some corrections needed to be done on the AFS before sending to Auditor General. The Committee recommended approval of the annual financial statements with the corrections.

5. Effectiveness of internal controls and compliance

The Audit Committee has reviewed reports from Internal Audit on the adequacy and effectiveness of the internal control systems in the Municipality. From the various reports of the Internal Audit, we can report that there are some weaknesses in the internal control systems of the municipality relating to non-compliance with laws, policies and prescribed procedures. Areas of weak internal controls were mainly in the following areas:

- a) Governance;
- b) Forestry;
- c) Legal
- d) Audit Of Performance Information Q1&Q2
- e) Auditor General Follow up
- f) Community services
- g) Financial services
- h) PMU
- i) Corporate Services

Action plans to implement the recommendations of Internal Audit and Auditor General have been developed and are being implemented and monitored.

6. Performance Management

The Audit Committee appreciates the commitments shown by the Municipality in monitoring performance of information. Quarterly reports on performance were presented to the Committee and feedback as well as advice were provided by the Committee. We noted a challenge in terms of timeliness of performance reports and non-compliance with the National Treasury Framework for managing programme performance information (FMPPI) which is an area that require a lot of improvement. The Committee advises the Accounting Officer to pay attention on the findings raised by the Office of the Auditor General and internal audit regarding performance information and development of remedial action plan. Since the municipality was disclaimed on Performance last financial year on alignment of IDP, Budget and SDBIP and Key Performance Indicators.

7. Risk Management

The Risk Management Committee has been established to function as a subcommittee of the Audit Committee; management is congratulated and appreciated on the appointment of the independent Risk Management Chairperson for the municipality. Further initiatives are required to ensure further embedding of risk management in the Municipality's processes. This would include developing clear guidelines and documented procedures to incorporate risk management into the Municipality's strategic planning processes and the development of performance measurements on an operational level to promote the integration of risk management into the day-to-day operations of the municipality.

Conclusion

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they are making now and in future. As the Audit Committee, we are pleading with the Management to address all the Internal Audit and Auditor General Audit findings and avoid repeat audit findings. Further we call upon everyone to work together so that we can deliver on the mandate of the municipality and achieve a clean audit opinion.

Ms. C NYEMBE

Chairperson of the Audit Committee

APPENDIX H – Long – Term Contracts and Private Public Partnership

In terms of section 33 of the Municipal Finance Management Act, the municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if it complies with legislation. The Municipality does not have any Private Public Partnerships currently. Underneath Table shows the current long-term contracts (longer than a year) the Municipality:

BID NUMBER	SERVICE- PROVIDER	SERVICE- DESCRIPTION	Contract Amount	DURATION OF THE CONTRACT	START DATE	END DATE
MKHO01/2017/18	Madonsela Mthunzi Attorneys Inc.	Legal Services	Rates	Thirty-Six (36) Months	07 July 2017	07 July 2020
MKHO02/2017/18	PK Financial Consultants	Vat Recovery	Rates	Thirty-Six (36) Months	07 July 2017	07 July 2020
MKHO04/2017/18	Oleggle Travel	Proposals for Provision of Travel Agent Services as and when required for a period of Three (3) Years.	Rates	Thirty-Six (36) Months	03 October 2017	03 October 2020
MKHO05/2017/18	MMN Engineering and Projects	Proposals for Repairs, Service, Maintenance, and Breakdowns Recovery of Heavy-Duty Vehicles for a period of Three (3) Years	Rates	Thirty-Six (36) Months	03 October 2017	03 October 2020
MKHO07/2017/18	Excelsior Printers	Proposals for Media Agent/ Specialists for Media Placements/ Advertorial in respective media platforms for Mkhondo Local Municipality as and when required for Thirty-Six (36) months	Rates	Thirty-Six (36) Months	17 December 2017	17 December 2020
MKHO12/2017/18	Lefiso Projects	The construction of Approximately 3KM of Sandbank Village Gravel Road Including 2NO. Of Cast INSITU Box Culverts	R13 224 046,00	Twenty-Four (24) Months	23 September 2017	End Date Reviewed
MKHO14/2017/18	Moepeng Trading	Construction of the Rustplaas 1ML/Day Wastewater Treatment Works	R19 683 904,62	Ten (10) Months	05 December 2017	End Date Reviewed
MKHO15/2017/18	IVE Engineering CC	Construction of the Rustplaas Sewer Reticulation Network	R16 298 755,09	Eight (08) Months	04 December 2017	End Date Reviewed
MKHO16/2017/18	Alasco Properties CC	Proposal for Leasing of Municipal Offices to Mkhondo Local Municipality for a period of Thirty-Six (36) months	R107590,14 p/m with 7% annual escalation	Thirty-Six (36) Months	17 October 2019	19 September 2020

MKHO19/2017/18	Mbhobho Trading	Supply and Delivery of Crushed Stone Products (Crusher) of various sizes as and when required for a period of Twenty-Four (24) Months	Rates	Twenty-Four (24) Months	17 December 2017	17 December 2019
MKHO22/2017/18	Valuers Afrika	Compilation and Maintenance of general valuation roll 2018 and supplementary valuation rolls for the financial years 01 July 2018 to 30 June 2023	R3 530 146,80	60 Months	17 November 2017	17 November 2022
MKHO26/2017/18	Peso Dealers T/A PLS Construction CC	Construction of the Haartebeesfontein Sewer Reticulation Network	R15 330 400,34	Eight (08) Months	15 December 2017	End Date Reviewed
MKHO28/2017/18	Wellington Security Services	Provision of Armed and Unarmed Security Guards for a period of Thirty-Six (36) months	R46 623 168,00	Thirty-Six (36) Months	18 January 2019	18 January 2022
MKHO29/2017/18	Kapa Bokoni & Projects CC	Supply, Delivery, Installation and Commissioning of 2X 40MVA 88/11KV Transformers at Mkhondo Local Municipality Phillip Greyling Substation	Rates	Thirty-Six (36) Months	16 April 2018	16 April 2021
MKHO35/2017/18	Going Places	Repairs, services and maintenance of brush cutters, lawnmowers, slashers, skip bins, chainsaws, blowers and pole pruners as and when required for a period of Thirty-six (36) months	Rates	Thirty-Six (36) Months	18 March 2018	18 March 2021
MKHO37/2017/18	Mkhondo Tyres T/A Supa Quick and Essa Tyres	Attend to breakdowns, repairs and supply of various tyres and batteries as and when required for a period of thirty-six (36) months	Rates	Thirty-Six (36) Months	18 March 2018	18 March 2021
MKHO38/2017/18	A1 Glass and Aluminum	Supply and Delivery of Electrical Materials as and when required for a period of Thirty-six Months	Rates	Thirty-Six (36) Months	18 March 2018	18 March 2021
MKHO42/2017/18	Mlungisi Mthobisi	Hire of a 16000L Water Tanker as and when required for a period of twenty-four (24) months	R320,00 P/H with annual escalation	Twenty-Four (24) Months	18 March 2018	18 March 2020
MKHO45/2017/18	New star Business Solution (Pty) Ltd	SCM Regulation 32 Appointment for the Distribution of electronic Multimedia Messages and Email	Rates	Thirty-Six (36) Months	17 November 2018	17 November 2021

		Statements				
MKHO47/2017/18	Lifa Lethu and Mab Cham	Supply and Delivery of water and waste water treatment chemicals as and when required for a period of Thirty-Six (36) months- Re-Advertisement	Rates	Thirty-Six Months (36)	18 March 2018	18 March 2021
MKHO52/2017/18	Jerzac Forestry	Supply and Delivery of Tree Seedlings, Fertilizers, and Chemicals as and when required for a period of Thirty-Six (36) months	Rates	Thirty-Six Months (36)	18 April 2018	18 March 2021
MKHO53/2017/18	Foloyi Construction	Provision of Silviculture services for Mkhondo Local Municipality for a period of Three (3) years	Rates	Thirty-Six Months (36)	18 April 2018	18 April 2021
MKHO04/2018/19	Makwandokuhle Cleaning and Construction JV Nqameni Consulting	Turnkey project for the Design and Construction of Kempville Sports Ground in Mkhondo Local Municipality	R6 467 142,86	Seven (07) Months	28 August 2018	End Date Reviewed
MKHO05/2018/19	Sthandile Ngendalo	Supply and Delivery of Stationery as and when required for a fixed period of Twenty-Four (24) months	Rates	Twenty-Four Months (24)	20 November 2018	20 November 2020
MKHO06/2018/19	Akunamuva Trading	Supply and Delivery of Cleaning Material as and when required for a fixed period of twenty-four (24) months	Rates	Twenty-Four Months (24)	02 November 2018	02 November 2020
MKHO07/2018/19	Phamokuhle Construction and Services	Supply and Delivery of Refuse Bags (30 micron black) as and when required for a fixed period of Twenty Four (24) months	Rates	Twenty Four Months (24)	08 November 2018	08 November 2020
MKHO08/2018/19	KVN Business Services	Appointment of an accredited Mscoa and Case Ware Consultant to provide technical advisory support as and when required for a fixed period of thirty-six (36) months	Rates	Thirty-Six Months (36)	03 December 2018	03 December 2021
MKHO10/2018/19	Swamanzi Consulting (Pty) Ltd	Supply and Delivery of 25KG cold asphalt mix bags as and when required for a fixed period of Thirty-six (36) months	Rates	Thirty-Six Months (36)	05 December 2018	05 December 2021

MKHO12/2018/19	MSV Holdings	Supply and Delivery of Industrial SABS approved road marking paint and thinners as and when required for a fixed period of twenty-four (24) months	Rates	Twenty-Four Months (24)	12 February 2019	12 February 2021
MKHO14/2018/19	Matupunuka ICT (Pty) Ltd	Proposals for Supply and Maintenance of VOIP Telephone System for Mkhondo Local Municipality for Thirty-Six (36) Months	R5 819 431,14	Thirty-Six Months (36)	13 March 2019	13 March 2022
EMLM19/2018	Fleet Horizon Solutions (Pty) Ltd	Section 32 Regulation Appointment of a service provider for the Recapitalisation of Fleet and Management Solution for a period of Thirty-Six (36) months as and when required	Rates	Thirty-Six Months (36)	14 September 2018	14 September 2021
MKHO16/2018/19	MlungisiMthobisi Building and Renovation	Supply and Delivery of Public Safety Uniform as and when required for a period of Twenty-Four (24) Months	Rates	Twenty-Four Months (24)	08 February 2019	08 February 2021
MKHO17/2018/19	Watson Consulting Engineers	The professional service providers (structural engineers/ architects & building) for the construction of a Multi-Purpose Community Centre at Harmony Park	R6 014 480,14	Thirty-Six Months (36)	30 November 2018	30 November 2021
MKHO18/2018/19	Nqameni Consulting Engineers (Pty) Ltd	Request for proposals from professional service providers for the design of a Outfall sewer pipeline and WWTW at eThandukukhanya	R4 140 944,55	Thirty-Six Months (36)	20 December 2018	20 December 2021
MKHO19/2018/19	Mngulwa Consulting JV Kapa Bokoni	Design and Electrification of Oosloop, Eziphunzini and Mangosotho in Mkhondo Local Municipality	R25 077 066,14	Eighteen Months (18)	04 February 2019	04 August 2020
MKHO21/2018/19	Sakhumzy Construction	Supply and Delivery of Water Reticulation Materials and Supplies as and when required for a period of Twenty- Four (24) Months	Negotiated Rates	Twenty-Four Months (24)	20 December 2018	20 December 2020
MKHO25/2018/19	Sewelele Mngqobi Consulting JV	Construction of the Bulk water pipeline and reticulation at Dr. POHLS	R25 697 954,45	Nine (09) Months	22 January 2019	30 October 2019

MKHO26/2018/19	Ngubane & Co.	Proposals for the compilation and maintenance of a GRAP Compliant Fixed Asset Register for a fixed period of thirty-six (36) months	R9 250 875,00	Thirty-Six Months	(36)	01 March 2019	28 February 2022
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APPENDIX J – Disclosure of Financial Interest

Declaration for 2018/19

No.	Surname	Name	Designation	FORM A Financial Interest Declaration	FORM B Disclosure of Gifts Received to	FORM C Disclosure of Financial Interests Declared	FORM D Disclosure of Family Members (Declared)	Date of Declaration
1	Vilakazi	Ayanda P	Senior Secretary: GM Corporate	YES	None	YES	YES	02-Jul-18
2	Dlamini	Mbali	Inserve Trainee	YES	None	YES	YES	02-Jul-18
3	Dladla	Zanele	Stores Packer/ Petrol Attendant	YES	None	YES	YES	02-Jul-18
4	Gumede	Mandla C	Supply Chain Manager	YES	None	YES	YES	02-Jul-18
5	Hlatshwayo	Sifiso D	Messenger & Cleaner	YES	None	YES	YES	03-Jul-18
6	Lugongolo	Ziphelele O	General Manager: Technical Services	YES	None	YES	YES	02-Jul-18
7	Lukhele	Zinhle	Senior Secretary: Chief Financial Officer	YES	None	YES	YES	02-Jul-18
8	Khumalo	Zandile PP	Senior Clerk Demand & Acquisition	YES	None	YES	YES	02-Jul-18
9	Khumalo	Vusi	General Manager: Community Services	YES	None	YES	YES	03-Jul-18
10	Motloun	Thabo J	General Manager: Planning & Development	YES	None	YES	YES	02-Jul-18
11	Mdluli	Beatrice L	Messenger & Cleaner	YES	None	YES	YES	03-Jul-18
12	Mavuso	Nonhlanhla D	ICT Intern	YES	None	NO	YES	02-Jul-18
13	Mashego	Lumumba S	Finance Intern	YES	None	YES	YES	02-Jul-18
14	Mohlathe	Tshepo S	Practitioner Assets	YES	None	YES	YES	02-Jul-18
15	Maseko	Bheki	Chief Financial Officer	YES	None	YES	YES	01-Aug-18
16	Mchunu	Bongane J	PR Councillor	YES	None	YES	YES	27-Sep-18

No.	Surname	Name	Designation	FORM A Financial Interest Declaration	FORM B Disclosure of Gifts Received to	FORM C Financial Disclosure Declared	FORM D Disclosure of Family Members (Declared)	Date of Declaration
17	Mabuza	Philangenkosi a	Clerk	YES	None	YES	YES	02-Jul-18
18	Mathebula	Rose V	Finance Intern	YES	None	YES	YES	02-Jul-18
19	Malinga	Sfiso	Property Clerk	YES	None	YES	YES	02-Jul-18
20	Ndaba	Siyabonga	Senior Clerk :Fleet	YES	None	YES	YES	02-Jul-18
21	Ndlangamandla	Sibongile	ICT Technician	YES	None	YES	YES	02-Jul-18
22	Ngomane	Isaiah B	ICT Technician	YES	None	YES	YES	02-Jul-18
23	Ndlovu	Jabulile A	Messenger & Cleaner	YES	None	YES	YES	03-Jul-18
24	Nkosi	Gugu M	Messenger & Cleaner	YES	None	YES	YES	03-Jul-18
25	Nzimande	Comfort	Senior Asset Clerk	YES	None	YES	YES	02-Jul-18
26	Nkwanyana	Lindiwe L	Senior Clerk :Budget	YES	None	YES	YES	05-Jul-18
27	Nkosi	Nondumiso	Webmaster	YES	None	YES	YES	03-Jul-18
28	Ncube	Philile	Finance Intern	YES	None	YES	YES	02-Jul-18
29	Segooa	M.K	Senior Manager: Budget	YES	None	YES	YES	02-Jul-18
30	Siziba	Sibusiso V	Messenger & Cleaner	YES	None	YES	YES	03-Jul-18
31	Simelane	Siphiwe E	Practitioner	YES	None	YES	YES	03-Jul-18
32	Thabethe	Xolana	General Worker	YES	None	YES	YES	02-Jul-18
33	Thwala	Mzwakhe P	Clerical Assistance	YES	None	YES	YES	03-Jul-18
34	Thabede	Phumula E	Councillor	YES	None	YES	YES	03-Jul-18
35	Tsotetse	Lebogang	Senior Clerk: Debt Collection	YES	None	YES	YES	02-Jul-18
36	Thwala	Bongiwe	Skills Development Manager	YES	None	YES	YES	02-Jul-18
37	Ntuli	Mfana Dennis	Ward Councillor	YES	None	YES	YES	03-Jul-18
38	Thabede	Thembelihle	Human Resources Development Clerk	YES	None	YES	YES	02-Jul-18
39	Mkhonza	Nomcebo	Payroll Accountant	YES	None	YES	YES	02-Jul-18
40	Mavuso	Nonhlanhla	ICT Intern	YES	None	YES	YES	02-Jul-18

No.	Surname	Name	Designation	FORM Financial Interest Declaration	FORM A Disclosure of Gifts Received to	FORM B Disclosure of Financial Declared	FORM C Disclosure of Family Members (Declared)	Date of Declaration
41	Magagula	Siyabonga E	Fleet Clerk	YES	None	YES	YES	02-Jul-18
42	Madonsela	Florida	Accountant	YES	None	YES	YES	02-Jul-18
43	Mathula	Nhlakanipho	Finance Intern	YES	None	YES	YES	02-Jul-18
44	Ngwenya	Mduduzi G	Accountant Bank & Cash	YES	None	YES	YES	02-Jul-18
45	Mbatha	Queeneth Zodwa	Snr. Manager Assets	YES	None	YES	YES	01-Jul-18
46	Ndlovu	Lindokuhle P	Snr. Clerk Demand & Acquisition	YES	None	YES	YES	02-Jul-18
47	Adams	Jason L	Snr. Clerk Expenditure	YES	None	YES	YES	03-Jul-18
48	Gama	Siyabonga G	Finance in Serve- Training	YES	None	YES	YES	02-Jul-18
49	Mthembu	Mduduzi	Snr. Clerk Demand & Acquisition	YES	None	YES	YES	03-Jul-18
50	Mango	Comfort	Risk Manager	YES	None	YES	YES	04-Jul-18
51	Ndlovu	Amanda	Risk Officer	YES	None	YES	YES	01-Oct-18
52	Ncube	Philile	Snr. Clerk Administration and Contract Management	YES	None	YES	YES	25-May-19
53	Chavarika	Stephen	Snr. Manager Expenditure	YES	None	YES	YES	12-Jun-19

APPENDIX L –Conditional Grants Received

Description	Ref	2018/19
		Grant Received
<u>RECEIPTS:</u>		
<u>Operating Transfers and Grants</u>		
National Government:		
Local Government Equitable Share		R 209, 448, 000.00
Finance Management		R 2,215, 000.00
EPWP Incentive		R 2,281, 000.00
Municipal Systems Improvement		R 0
LGSETA		R 563, 314.00
PMU Admin		R 3,836, 750.00
Total Operating Transfers and Grants		R 218, 346 ,064
<u>Capital Transfers and Grants</u>		
National Government:		
Municipal Infrastructure Grant (MIG)		R 72, 898, 250. 00
INEP (R 8,500,000 + R 4,500,000 Addi.)		R 13,000,000.00
EEDSMG		R 0
WSIG		R 35, 000, 000.00
TOTAL Capital Expenditure		R 120,898,250.00
TOTAL RECEIPTS OF TRANSFERS & GRANTS		R 339,244,314.00

APPENDIX N – CAPITAL PROGRAMME PROJECT

BACKGROUND

The goals and objectives of the Project Management Unit (PMU) within Mkhondo Local Municipality is to provide infrastructure targeting the poor, maximizing economic benefit by means of creating employment and to ensure that funds are effectively and efficiently utilized. The municipality can achieve its objectives by focusing on its backlogs as tabled by the Integrated Development Plan (IDP).

Mkhondo Local Municipality is a rural municipality and facing the following challenges:

Lack of access to clean drinking water, some communities depends on streams and rivers which are often shared with livestock, some boreholes dry up in winter.

- lack of sanitation services such as toilets
- Lack of proper shelter
- Lack of electricity
- Lack of proper access roads, etc.

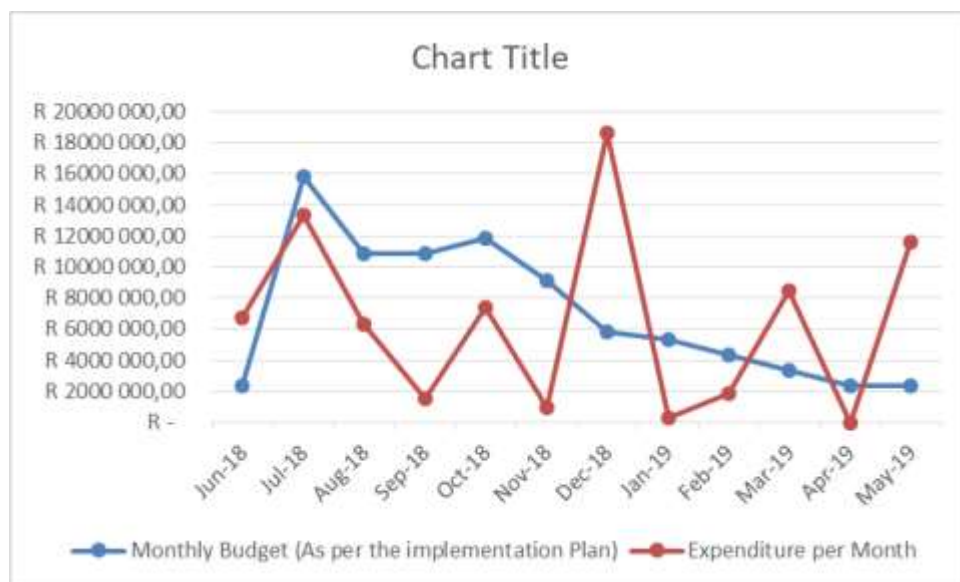
The municipality was allocated R 76,735,000.00 for the 2018/19 financial year for the implementation of infrastructure projects within our municipality

2018/19 FY PROJECTS

Project Registration No.	Ward No.	Project Name	Project Cost	Budgeted MIG Funds (2018/19)	Expenditure in 2018/19 FY
Approved	All	PMU Management	R 3,778,789.17	R 3,778,789.17	R 3,584,437.78
MIG/MP1120/W/12/14	4	Construction of Driefontein to Insepe and Haartebeesfontein Water Bulk Line	R 114,537,567.94	R 9,996,126.08	R 9,218,304.49
MIG/MP1210/W/13/16	8 & 17	Installation of Water Bulk Line to Rustplaas, Maphepheni and Malayinini and Forest View	R 81,565,432.88	R 847,605.00	R 5,809,773.64
MIG/MP1242/RS/T/13/16	6	Construction of Main Access Road in Sandbank	R 95,948,192.28	R 7,000,000	R 2,026,936.63
MIG/MP1286/CF/14/16	5 & 19	Construction of MPCC - Amsterdam	R 29,122,000.86	R 1,927,516.00	R 1,927,515.68
MIG/MP1241/RS/T/13/16	5, 13	Installation of storm water drainage	R 13,543,000	R 1,000,000.00	R 756,443.97
MIG/MP1243/RS/T/13/16	1, 2, 18	Construction of Driefontein Bus and Taxi Routes	R 27,135,648	R 13,430,704.12	R 13,430,704.12
MIG/MP1582/RS/T/17/19	19	Upgrading of Grave Road to Paving Blocks in Amsterdam Extension 2, 3 & 4	R 53,646,120	R 15,959,953.76	R 21,817,434.54
MIG/MP1102/S/11/14	Rural wards	Construction of Dignified sanitation	R 45,402,274.09	R 6,000,000.00	R 3,763,200.00
MIG/MP1728/CF/18/19	10	Refurbishment of Kempville Sports Ground in Mkhondo	R 7,300,316.31	R 6,206,403.36	R 5,085,724.50
MIG/MP1707/W/18/19	8	Construction of Bulk Water Pipeline and Reticulation at Dr Pols	R 22,272,571.13	R 7,000,000.00	R 6,830,876.63
MIG/MP1088/CL/11/13	Rural Wards	Installation of Highmast Lights	R 20,528,372.08	R 3,087,902.34	R 2,827,666.98
MIG/MP1736/S/18/20	10,11,12,13,14,17	Planning, Design and Construction of eThandukukhanya Wastewater Treatment Works	R 52,514,015.00	R 500,000.00	-
				R 76,735,000.00	R 77,079,018.96

ACCUMULATIVE EXPENDITURE vs. CAPITAL BUDGET			
Month	Monthly Budget (As per the implementation Plan)	Expenditure per Month	Accumulative Expenditure vs. Monthly Budget
Jul-18	R 15,809,271.00	R 13,301,513.11	84%
Aug-18	R 10,851,446.00	R 6,311,832.67	58%
Sep-18	R 10,851,446.00	R 1,561,276.03	14%
Oct-18	R 11,833,519.00	R 7,359,372.98	62%
Nov-18	R 9,089,985.00	R 978,492.84	10%
Dec-18	R 5,851,446.00	R 18,585,741.46	317%
Jan-19	R 5,302,659.00	R 306,740.49	5%
Feb-19	R 4,351,446.00	R 1,869,659.94	42%
Mar-19	R 3,351,446.00	R 8,496,038.43	253%
Apr-19	R 2,351,446.00	R 0.00	0%
May-19	R 2,351,446.00	R 11,608,383.18	493%
Jun-19	R 2,351,446.00	R 6,699,967.83	284%

July 2018 – to – June 2019 MIG Expenditure



STATUS QUO

Project Name	Progress to date
Construction of Driefontein to Iswepe and Hartebeefontein water bulk line	Construction is 99% Project has reached practical completion
Installation of Water Bulk line to Rustplaas, Maphepheni and Forest view	Project complete
Construction of Main Access Road in Sandbank	Construction is at 45% Contractor has stopped working due to contractual issues
Construction of MPCC-Amsterdam	Project Complete
Installation of storm water drainage	Scope for 2018/19FY complete
Construction of Driefontein Bus and Taxi Route	Project is Complete
Upgrading of Gravel to Paving Blocks in Amsterdam Extension 4	Project is Complete
Construction of Dignified Sanitation	Scope for 2018/19FY is Complete
Refurbishment of Kempville Sports Ground in Mkhondo	Construction 87%
Construction of Bulk Water Pipeline and Reticulation at Dr Pols	Construction 90%
Installation of Highmst Lights	Construction is Complete
Planning, Design and Construction of eThandukukhanya Wastewater Treatment Works	Contractor Appointed



Mkhondo Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

Audited
By
2019 -11- 30
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Mpumalanga Business Unit

Mkhondo Local Municipality

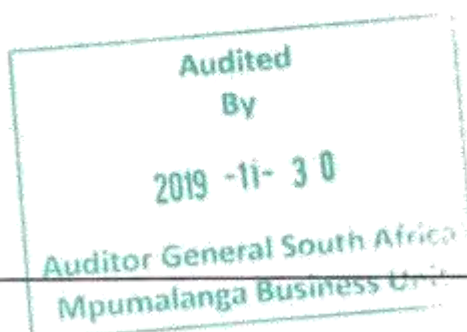
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Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Executive Mayor	Cllr. V.M. Motha
Speaker	Cllr. T.G. Nkosi
Chief Whip	Cllr. M. Yende
Member of Mayoral Committee- Finance	Cllr. Z.J. Mnisi
Member of Mayoral Committee- Community Services	Cllr. D. Twala
Member of Mayoral Committee- Planning, Corporate and Development	Cllr. T.E. Khumalo
Councillors	Cllr. C.B Mkwanzani
	Cllr. D.M. Twala
	Cllr. B.J. Vilakazi
	Cllr. B.M. Khumalo
	Cllr. S.S.Mathebuka
	Cllr. T.P. Hlatshwayo
	Cllr. K.D. Masondo
	Cllr. R.P. Hlatshwayo
	Cllr. T.S. Nkosi
	Cllr. D.M. Ntshakala
	Cllr. J.P. Makathini
	Cllr. T.S. Mafuyeka
	Cllr. M.Z. Ngwenya
	Cllr. T.W. Manana
	Cllr. M.D. Nthuli
	Cllr. B.C. Mkwanzani
	Cllr. T.B. Nkosi
	Cllr. F.C. Mthetwa
	Cllr. S.M. N. Bophela
	Cllr. T.S.M. Zulu
	Cllr. S.Z. Yende
	Cllr. D.L. Ngobeza
	Cllr. J.B. Brussow
	Cllr. S.J. Methula
	Cllr. S.C. Mahlobo
	Cllr. R.J.A. Wilson
	Cllr. P.E. Thabede
	Cllr. N.N. Zulu
	Cllr. T.P. Mncube
	Cllr. B.J. Mchunu



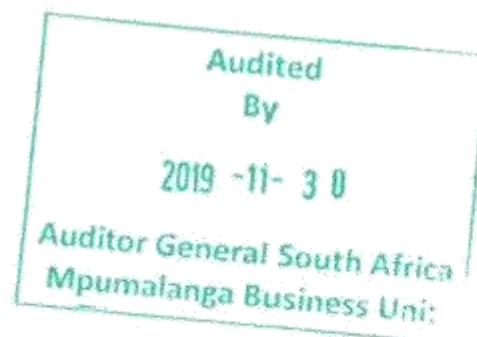
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

General Information

Accounting Officer	Mr. M. Kunene
Chief Finance Officer (CFO)	Mr. B. Maseko
Registered office	Cnr Market & De Wet street Piet Retief 2380
Business address	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank A division of First Rand Limited



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on Pages 5 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

Audited

By

2019 -11- 3 0

Auditor General South Africa

Vipumalanga Business Unit

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 98,266,054 (2018: deficit R 59,707,296), after taxation of R - (2018: R -).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in the contracts awarded for the period under review.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr. M. Kunene

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive Mayor and Municipal Manager

The roles of the Executive Mayor and the Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

Audit committee

The audit committee members for the period under review are as follows:

Name	Position	Date of appointment
Ms. C. Nyembe	Chairperson	30 August 2018
Advocate J. C. Weapond	Member	1 December 2017
Mr. L. Mohalaba	Member	1 December 2017
Mr. A. Singh	Member	25 August 2018

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The Municipality's banker is First National Bank Limited, a division of First Rand Limited.

9. Auditors

Auditor General South Africa will continue in office for the next financial period.

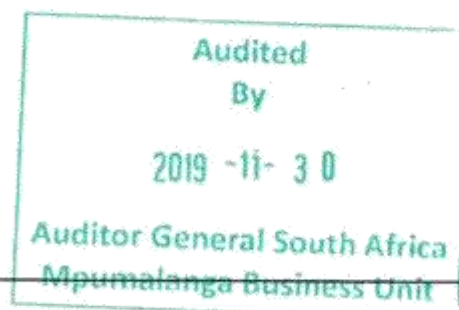
10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Mkhondo Local Municipality did not enter into any Public Private Partnerships during the year under review.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:



Mkhondo Local Municipality

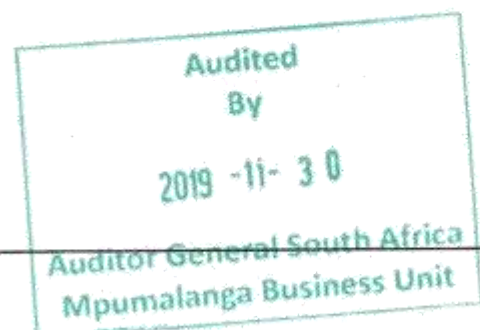
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	11,319,841	13,178,777
Other financial assets	3	42,272	39,823
Receivables from exchange transactions	4	4,449,653	4,001,580
Receivables from non-exchange transactions	5	3,899,700	2,045,006
Consumer debtors	6	39,550,225	41,692,978
Cash and cash equivalents	7	5,812,426	3,443,923
		65,074,117	64,402,087
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	46,524,248	52,575,159
Investment property	9	18,185,455	19,418,743
Property, plant and equipment	10	1,612,251,574	1,655,878,965
Intangible assets	11	58,538	91,988
Other financial assets	3	439,165	425,502
		1,677,458,980	1,728,390,357
Total Assets		1,742,533,097	1,792,792,444
Liabilities			
Current Liabilities			
Other financial liabilities	17	5,000,000	10,000,000
Finance lease obligation	15	2,314,789	-
Operating lease liability	12	-	5,275
Payables from exchange transactions	19	303,986,145	255,893,651
VAT payable	20	17,992,338	16,525,139
Consumer deposits	21	3,675,399	3,551,068
Employee benefit obligation	13	2,433,563	1,619,055
Unspent conditional grants and receipts	16	-	10,552,492
		335,402,234	298,146,680
Non-Current Liabilities			
Finance lease obligation	15	4,999,174	-
Employee benefit obligation	13	23,542,705	21,298,625
Provisions	18	25,328,957	21,821,072
		53,870,836	43,119,697
Total Liabilities		389,273,070	341,266,377
Net Assets		1,353,260,027	1,451,526,067
Accumulated surplus		1,353,260,027	1,451,526,067

* See Note 52 & 51



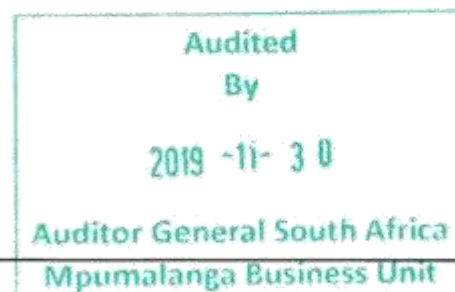
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	169,403,835	148,060,908
Licences and permits	25	108,204	101,547
Rental income		1,237,264	1,142,495
Other income	28	18,127,101	28,387,838
Interest received	29	25,904,481	21,186,310
Gain on disposal of assets and liabilities		2,591,822	1,686,386
Inventories gains/losses	2	611,798	57,821
Total revenue from exchange transactions		217,984,505	200,623,305
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	43,660,144	39,806,661
Licences and Permits (Non-exchange)	31	33,042,516	-
Transfer revenue			
Government grants & subsidies	33	353,463,074	329,103,627
Public contributions and donations	34	695,600	29,141,392
Fines, Penalties and Forfeits	24	19,545,461	2,428,175
Total revenue from non-exchange transactions		450,406,795	400,479,855
Total revenue	22	668,391,300	601,103,160
Expenditure			
Employee related costs	35	(173,453,500)	(162,047,885)
Remuneration of councillors	36	(15,052,004)	(13,952,594)
Depreciation and amortisation	37	(137,039,370)	(132,024,552)
Impairment loss		(39,950)	-
Finance costs	38	(18,318,366)	(14,656,478)
Lease rentals on operating lease	26	(5,030,931)	(4,708,585)
Debt Impairment	39	(81,819,951)	(65,277,633)
Bulk purchases	40	(129,752,920)	(122,428,708)
Contracted services	41	(113,374,695)	(74,378,026)
Transfers and Subsidies	32	(3,473,151)	(5,473,471)
Fair value adjustments	43	(6,036,592)	(7,109,129)
General Expenses	42	(83,265,924)	(58,753,395)
Total expenditure		(766,657,354)	(660,810,456)
(Deficit)/surplus for the year		(98,266,054)	(59,707,296)



* See Note 52 & 51

Mkhondo Local Municipality

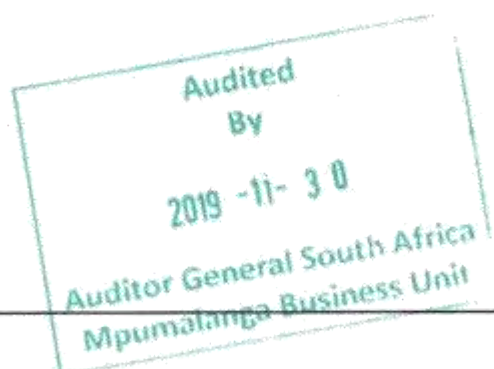
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,530,160,905	1,530,160,905
Adjustments		
Prior year adjustments	(18,927,542)	(18,927,542)
Balance at 01 July 2017 as restated*	1,511,233,363	1,511,233,363
Changes in net assets		
Deficit for the year	(59,707,296)	(59,707,296)
Total changes	(59,707,296)	(59,707,296)
Opening balance as previously reported	1,377,324,539	1,377,324,539
Adjustments		
Prior year adjustments	74,201,542	74,201,542
Restated* Balance at 01 July 2018 as restated*	1,451,526,081	1,451,526,081
Changes in net assets		
Surplus for the year	(98,266,054)	(98,266,054)
Total changes	(98,266,054)	(98,266,054)
Balance at 30 June 2019	1,353,260,027	1,353,260,027

* See Note 52 & 51



Mkhondo Local Municipality

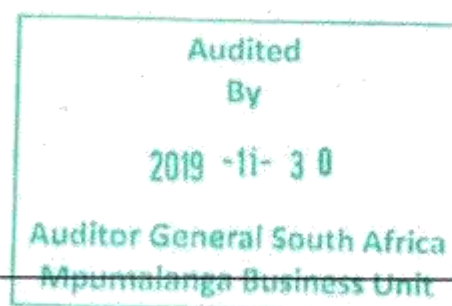
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property Taxation		37,659,156	25,733,411
Sale of goods and services		190,856,042	143,816,253
Grants		343,606,182	335,529,631
Interest income		533,847	1,142,759
		572,655,227	506,222,054
Payments			
Employee costs		(185,632,797)	(172,023,695)
Suppliers		(241,198,784)	(199,970,357)
Finance costs		(18,318,366)	(14,656,478)
		(445,149,947)	(386,650,530)
Net cash flows from operating activities	46	127,505,280	119,571,524
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(133,566,367)	(122,181,014)
Proceeds from sale of property, plant and equipment	10	6,117,420	1,933,584
Purchase of financial assets		(1,793)	(82,858)
Net cash flows from investing activities		(127,450,740)	(120,330,288)
Cash flows from financing activities			
Proceeds from other financial liabilities		-	10,000,000
Repayment of other financial liabilities		(5,000,000)	(7,296,891)
Finance lease receipts		7,313,963	-
Net cash flows from financing activities		2,313,963	2,703,109
Net increase/(decrease) in cash and cash equivalents		2,368,503	1,944,345
Cash and cash equivalents at the beginning of the year		3,443,923	1,499,578
Cash and cash equivalents at the end of the year	7	5,812,426	3,443,923

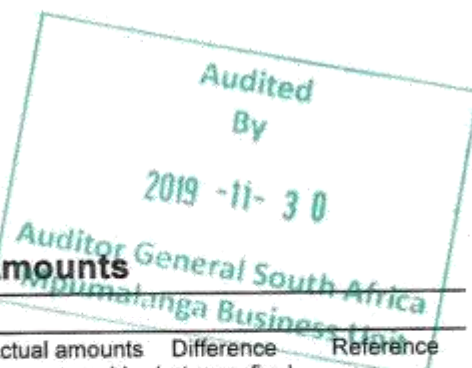
* See Note 52 & 51



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	170,561,700	20,278,236	190,839,936	169,403,835	(21,436,101)	Ref 1
Licences and permits	55,104	(31,262)	23,842	108,204	84,362	Ref 2
Rental income	1,542,720	(166,764)	1,375,956	1,237,264	(138,692)	Ref 3
Other income - (rollup)	12,178,020	9,091,197	21,269,217	18,127,101	(3,142,116)	Ref 4
Interest received - investment	14,148,504	784,653	14,933,157	25,904,481	10,971,324	Ref 5
Total revenue from exchange transactions	198,486,048	29,956,060	228,442,108	214,780,885	(13,661,223)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	46,852,188	(416,556)	46,435,632	43,660,144	(2,775,488)	Ref 6
Licences and Permits (Non-exchange)	-	-	-	33,042,516	33,042,516	

Transfer revenue

Government grants & subsidies	334,174,356	-	334,174,356	353,463,074	19,288,718	Ref 7
Public contributions and donations	-	-	-	695,600	695,600	
Fines, Penalties and Forfeits	2,187,696	924,913	3,112,609	19,545,461	16,432,852	Ref 8

Total revenue from non-exchange transactions	383,214,240	508,357	383,722,597	450,406,795	66,684,198	
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Total revenue	581,700,288	30,464,417	612,164,705	665,187,680	53,022,975	
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Expenditure

Personnel	(166,126,092)	4,894,397	(161,231,695)	(173,453,500)	(12,221,805)	Ref 9
Remuneration of councillors	(15,724,104)	1,232,925	(14,491,179)	(15,052,004)	(560,825)	
Depreciation and amortisation	(72,847,200)	334,704	(72,512,496)	(137,039,370)	(64,526,874)	Ref 10
Impairment loss/ Reversal of impairments	-	-	-	(39,950)	(39,950)	
Finance costs	-	-	-	(18,318,366)	(18,318,366)	Ref 11
Lease rentals on operating lease	-	-	-	(5,030,931)	(5,030,931)	Ref 12
Debt Impairment	(51,500,004)	-	(51,500,004)	(81,819,951)	(30,319,947)	Ref 13
Bulk purchases	(121,922,100)	(24,873,053)	(146,795,153)	(129,752,920)	17,042,233	Ref 14
Contracted Services	(19,165,284)	(2,746,574)	(21,911,858)	(113,374,695)	(91,462,837)	Ref 15
Transfers and Subsidies	(5,281,392)	344,763	(4,936,629)	(3,473,151)	1,463,478	Ref 16
General Expenses	(61,348,188)	(16,272,165)	(77,620,353)	(83,265,924)	(5,645,571)	Ref 17
Total expenditure	(513,914,364)	(37,085,003)	(550,999,367)	(760,620,762)	(209,621,395)	

Operating deficit	67,785,924	(6,620,586)	61,165,338	(95,433,082)	(156,598,420)	
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Gain on disposal of assets and liabilities	(6,000,000)	6,000,000	-	2,591,822	2,591,822	Ref 18
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Fair value adjustments	-	-	-	(6,036,592)	(6,036,592)	Ref 19
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Inventories losses/write-downs	-	-	-	611,798	611,798	Ref 20
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	(6,000,000)	6,000,000	-	(2,832,972)	(2,832,972)	
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Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	61,785,924	(620,586)	61,165,338	(98,266,054)	(159,431,392)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	61,785,924	(620,586)	61,165,338	(98,266,054)	(159,431,392)	

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	8,500,000	-	8,500,000	11,319,841	2,819,841	Ref 21
Other financial assets	5,500,000	-	5,500,000	42,272	(5,457,728)	Ref 22
Receivables from exchange transactions	-	-	-	4,449,653	4,449,653	Ref 23
Receivables from non-exchange transactions	-	-	-	3,899,700	3,899,700	Ref 24
Consumer debtors	164,868,840	-	164,868,840	39,550,225	(125,318,615)	Ref 25
Cash and cash equivalents	770,140	-	770,140	5,812,426	5,042,286	Ref 26
	179,638,980	-	179,638,980	65,074,117	(114,564,863)	

Non-Current Assets

Biological assets that form part of an agricultural activity	48,800,000	-	48,800,000	46,524,248	(2,275,752)	Ref 27
Investment property	16,700,000	-	16,700,000	18,185,455	1,485,455	Ref 28
Property, plant and equipment	1,449,338,805	-	1,449,338,805	1,612,251,574	162,912,769	Ref 29
Intangible assets	250,000	-	250,000	58,538	(191,462)	Ref 30
Other financial assets	-	-	-	439,165	439,165	Ref 31
	1,515,088,805	-	1,515,088,805	1,677,458,980	162,370,175	

Total Assets	1,694,727,785	-	1,694,727,785	1,742,533,097	47,805,312	
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Liabilities

Current Liabilities

Other financial liabilities	-	-	-	5,000,000	5,000,000	Ref 32
Finance lease obligation	-	-	-	2,314,789	2,314,789	Ref 33
Payables from exchange transactions	125,542,818	-	125,542,818	303,986,133	178,443,315	Ref 34
VAT payable	-	-	-	17,992,338	17,992,338	Ref 35
Consumer deposits	3,520,000	-	3,520,000	3,675,399	155,399	Ref 36
Employee benefit obligation	1,500,000	-	1,500,000	2,433,563	933,563	Ref 37
	130,562,818	-	130,562,818	335,402,222	204,839,404	

Non-Current Liabilities

Finance lease obligation	-	-	-	4,999,174	4,999,174	Ref 38
Employee benefit obligation	-	-	-	23,542,705	23,542,705	Ref 39
Provisions	35,108,000	-	35,108,000	25,328,957	(9,779,043)	Ref 40
	35,108,000	-	35,108,000	53,870,836	18,762,836	

Total Liabilities	165,670,818	-	165,670,818	389,273,058	223,602,240	
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Net Assets	1,529,056,967	-	1,529,056,967	1,353,260,039	(175,796,928)	
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Audited
By

2019 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,529,056,967		- 1,529,056,967	1,353,260,039	(175,796,928)	

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	36,544,722	-	36,544,722	37,659,156	1,114,434	Ref 41
Sale of goods and services	161,076,571	-	161,076,571	191,303,323	30,226,752	Ref 42
Grants	334,174,365	-	334,174,365	343,606,182	9,431,817	Ref 43
Interest income	1,745,400	-	1,745,400	533,847	(1,211,553)	Ref 44
	533,541,058	-	533,541,058	573,102,508	39,561,450	

Payments

Employee costs	(175,627,874)	-	(175,627,874)	(184,926,635)	(9,298,761)	Ref 45
Suppliers	(252,007,401)	-	(252,007,401)	(241,952,230)	10,055,171	Ref 46
Finance costs	-	-	-	(18,318,366)	(18,318,366)	Ref 47
	(427,635,275)	-	(427,635,275)	(445,197,231)	(17,561,956)	

Net cash flows from operating activities	105,905,783	-	105,905,783	127,905,277	21,999,494	
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Cash flows from investing activities

Purchase of property, plant and equipment	(115,703,665)	-	(115,703,665)	(133,966,367)	(18,262,702)	Ref 48
Proceeds from sale of property, plant and equipment	6,000,000	-	6,000,000	6,117,420	117,420	Ref 49
Purchase of financial assets	-	-	-	(1,793)	(1,793)	
Net cash flows from investing activities	(109,703,665)	-	(109,703,665)	(127,850,740)	(18,147,075)	

Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	(5,000,000)	(5,000,000)	Ref 50
Finance lease receipts	-	-	-	7,313,963	7,313,963	
Net cash flows from financing activities	-	-	-	2,313,963	2,313,963	

Net increase/(decrease) in cash and cash equivalents	(3,797,882)	-	(3,797,882)	2,368,500	6,166,382	
Cash and cash equivalents at the beginning of the year	4,100,000	-	4,100,000	3,443,924	(656,076)	
Cash and cash equivalents at the end of the year	302,118	-	302,118	5,812,424	5,510,306	

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

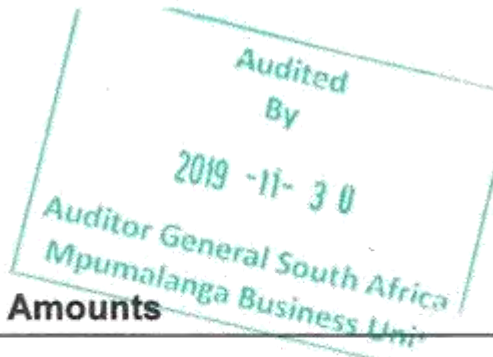
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis



	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Comparison of Budget and actual amounts variances explanations

Statement of financial performance

Ref 1	Service charges: were 12% below budget. There were meters for water and electricity that could not be billed due to them being faulty and disfunctional.
Ref 2	Licence and permits: was not budgeted for.
Ref 3	Rental income: The variance is 10% below budget, this is considered immaterial
Ref 4	Other income: The variance is 143% above budget
Ref 5	Interest received: The variance is 3201% above budget, because of consumer debtors who are not paying their accounts on time
Ref 6	Property Rates: The variance is 6% below budget, this is considered immaterial
Ref 7	Government grants & subsidy: The variance is 61% above budget
Ref 8	Fines and Penalties: The variance is 140% above the budget
Ref 9	Employee Salaries: The variance is 3% above the budget, this is considered immaterial
Ref 10	Remuneration of Councillors: The variance is 4% above the budget, this is considered immaterial
Ref 11	Depreciation: The variance is 99% below budget. The current year depreciation is yet to be factored in.
Ref 12	Finance Costs: Finance charges is 1% below the budget
Ref 13	Debt impairment: Debt impairment is 29 % above budget. This is attributed to general economic hardships facing the community and hence a huge non performing debt book.
Ref 14	Repairs and maintenance is 100% above budget. The actual expenditure on repairs and maintenance is reported under contracted services.
Ref 15	Bulk purchases is 12% below budget. This could be attributed to the success in awareness campaigns to conserve electricity.
Ref 16	Transfer and grants The variance is 12% below the budget. This is due to less than anticipated consumers registered for the indigent subsidy for the financial year.
Ref 17	General expenditure The variance is 3% above budget and is considered immaterial.
Ref 18	Loss on disposal of assets was not budgeted for
Ref 19	Fair value adjustment The variance is 100%, it was not budgeted for
Ref 20	Inventory losses The variance is 100%, it was not budgeted for

Statement of Financial Position

Current Assets

Ref 21	Inventories: the variance is 26% above budget. Municipality held more stocks at year end than anticipated.
Ref 22	Other financial Assets: the variance is 99% below budget. No new investments were undertaken because of low liquidity during the year.
Ref 23	Receivable from exchange transaction: The variance is 100% above budget, not budgeted for.
Ref 24	Receivable from non-exchange transaction: The variance is 100% above budget, not budgeted for
Ref 25	Consumer debtors: The variance is 76% below budget. This is because of a higher impairment provision than what was budgeted for.
Ref 26	Cash and cash equivalents: The variance is 685% above budget. The Municipality had set aside money in short term deposit accounts to meet critical payments and hence a positive cash balance than what was budgeted for.

Non current Liabilities

Ref 27	Biological Assets the variance is 3% below budget
Ref 28	Investment property: The variance is 1% above budget and is considered to be immaterial.
Ref 29	PPE: The variance is 14% below the budget. Depreciation for the year is yet to be factored in.
Ref 30	Intangible Assets: The variance is 53% below budget. There were no new intangibles acquired during the year.
Ref 31	Other financial Assets: The variance is 100% above budget, not budgeted for

Current Liabilities

Ref 32	Other financial liabilities: The variance is 100% above budget, not budgeted for
Ref 33	Finance lease obligation: The variance is 100% above budget, not budgeted for

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Ref 34 Payable from exchange transaction: The variance is 137% above budget. The Municipality had cash flow challenges which inhibited it from liquidating its debts.

Ref 35 Vat payable: The variance is 100% above budget, not budget for

Ref 36 Consumer deposits: The variance is 4% above budget which can be considered as immaterial

Ref 37 Employee benefits obligation: the variance is 8% above budget and is considered immaterial.

Non-Current Liabilities

Ref 38 Finance lease obligation: The variance is 100% above budget, not budget for

Ref 39 Employee benefits obligation the variance is 100% above budget, not budget for

Ref 40 Provision: The variance is 28% below budget.

Cash Flow Statement

Ref 41 Taxation: The variance is 3% above budget. This is considered immaterial.

Ref 42 Sale of goods and services: The budget is 19% above budget. It signifies improved cash collections over budget.

Ref 43 Grants: The variance is 6% above budget. All the grants received met the recognition criteria.

Ref 44 Interest income: The variance is 696% below budget. Not much investment activities took place because of the cash flow challenges.

Ref 45 Employee costs: The variance is 4% above budget. This is considered immaterial.

Ref 46 Suppliers: The variance is 4% above budget and is considered immaterial.

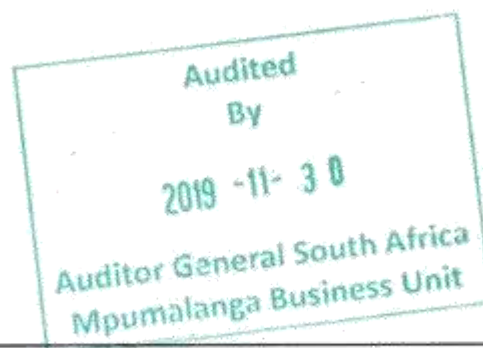
Ref 47 Finance costs: The component was not budgeted for.

Ref 48 Purchase of property plant and equipment: The variance is 7% above budget and is considered immaterial.

Ref 49 Proceeds from sale of property plant and equipment: The variance is 20% below budget. Collections were lower than projected.

Ref 50 Repayment of other financial liabilities: Not budgeted for.

Ref 51 Finance lease: Not budgeted for.



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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

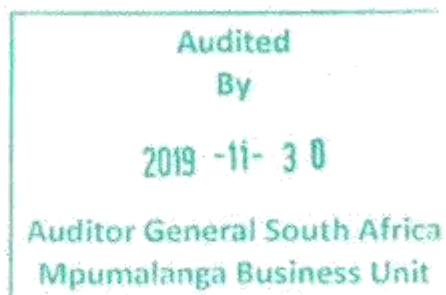
In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.



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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

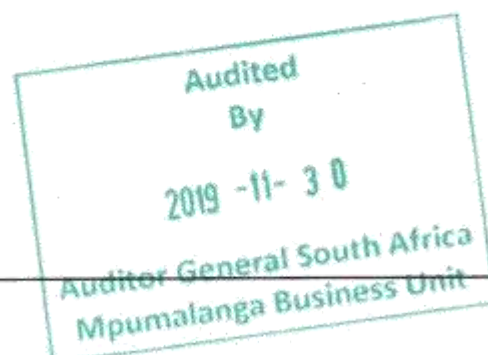
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

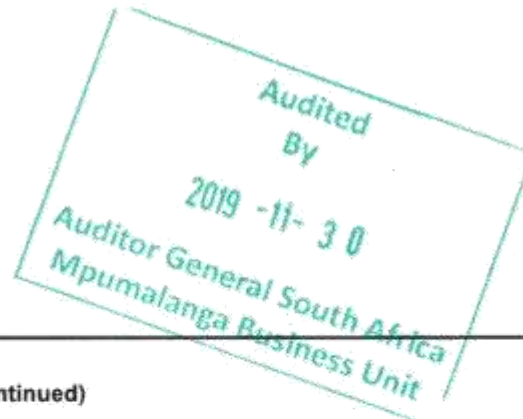


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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Trees in timber plantation - Consumable	indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or

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Accounting Policies



1.5 Investment property (continued)

- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Change in accounting policy

The Municipality changed its accounting policy from fair valuation model to cost model during the year. This resulted in the restatement of prior year reported amounts as disclosed on note 51. The Municipality failed to support the Fair Valuation model which it adopted during the 2017/18 financial year. The Municipality also considered the cost implications of maintaining the fair valuation model which would require valuations to be done on the properties regularly whose service comes at a cost. For these reasons, the Municipality decided to revert to the cost model which had been in use before which it deems to be more reliable. The changes in the accounting policy had been applied in retrospect.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

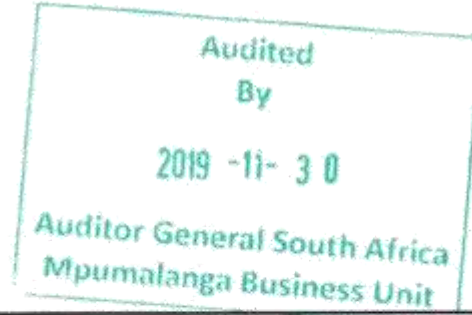
Property, plant and equipment is initially measured at cost.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

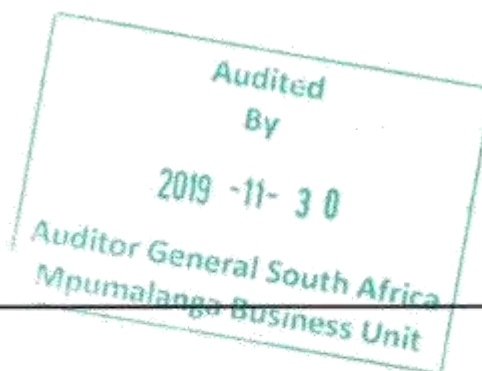
Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Land and buildings - Community Facilities	Straight line	15-100 years
Land and buildings - Servitudes	Straight line	0
Land and Buildings - Fire/Ambulance stations	Straight line	5-100 years
Land and buildings - Municipal offices	Straight line	5-100 years
Land and buildings - Workshops/depots/yards	Straight line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight line	15 -50 years
Land and buildings - Staff housing	Straight line	15 - 100 years
Water Supply network - Storm water network	Straight line	20-50 years
Water Supply network- Bulk mains	Straight line	40- 80 years
Water Supply network - Dams and Weirs	Straight line	15 - 50 years
Water supply network - Distribution	Straight line	80 years
Water supply network - Distribution points	Straight line	15-20 years
Water Supply network - Pumpstations	Straight line	5-100 years
Water Supply network - Reservoirs and towers	Straight line	7-100 years
Water supply networks- Water Treatment works	Straight line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight line	20 years
Electricity networks- MV Network (<=33 kv)	Straight line	45 years

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Accounting Policies



1.6 Property, plant and equipment (continued)

Work in progress	Straight line	not depreciated
Road networks - Roads	Straight line	5 - 100 years
Road Networks - Roadside assets	Straight line	10-50 years
Sanitation Networks - Boreholes	Straight line	15-50 years
Sanitation networks - Outfall sewers	Straight line	80 years
Sanitation network - Reservoirs & towers	Straight line	15 - 50 years
Sanitation network - Reticulation	Straight line	80 years
Sanitation network - Sewer Pump stations	Straight line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight line	5 - 100 years
Road bridges	Straight line	50 years
Plant and machinery	Straight line	2-15 years
Furniture and fixtures	Straight line	2 - 15 years
Office equipment	Straight line	2-15 years
Transport assets	Straight line	3-15 years
Computer equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

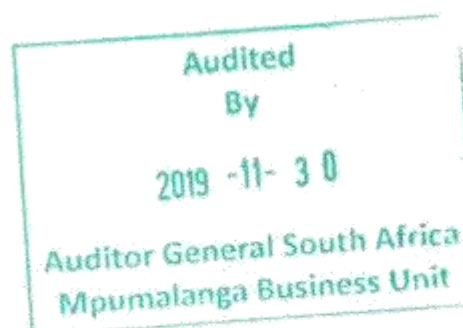
Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years



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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

Audited

By

2019 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

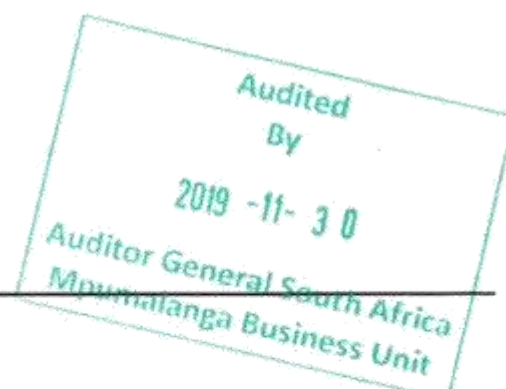
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.8 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Fixed deposits	Financial asset measured at fair value
Listed equity	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

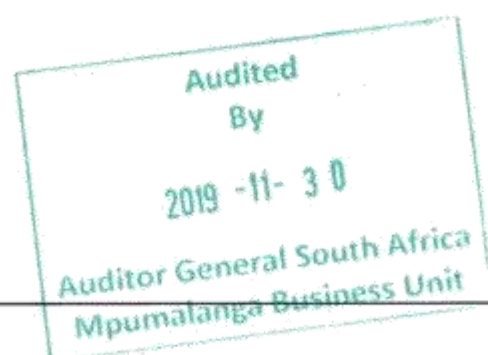
Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.



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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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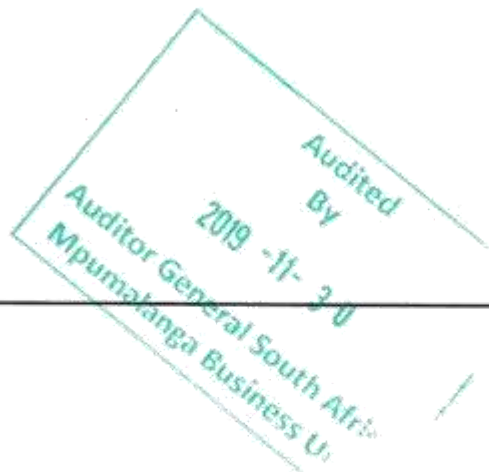
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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

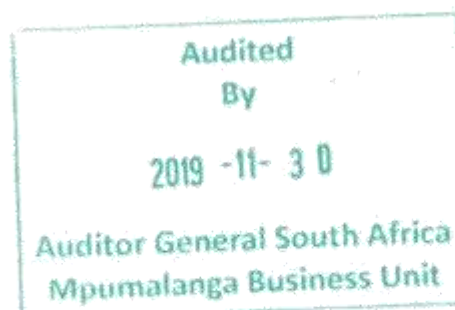
Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

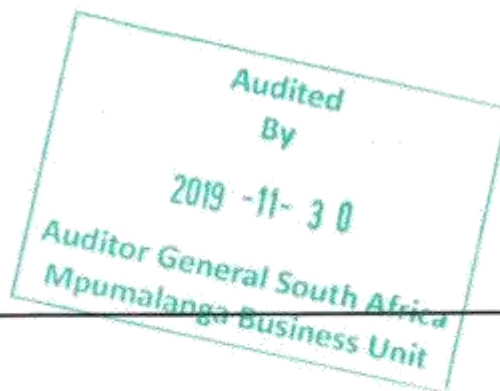


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1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

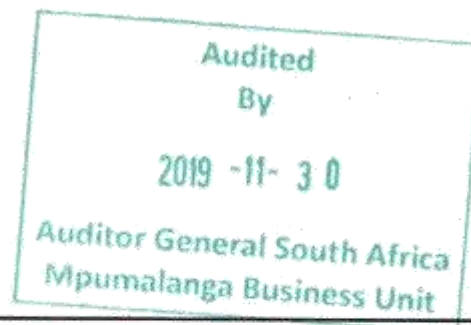
When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

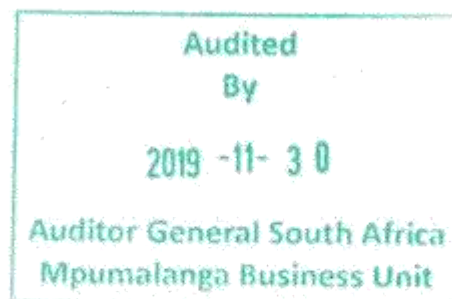
Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.



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1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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1.11 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

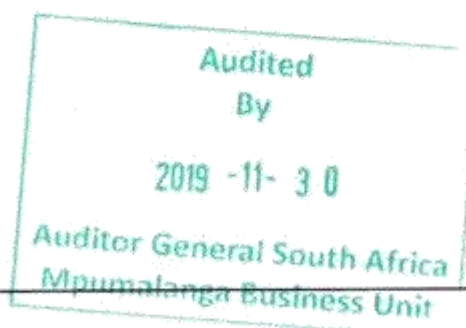
The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

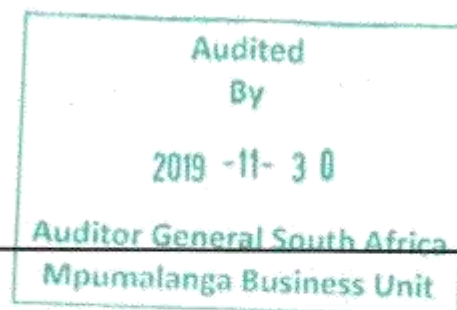


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1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

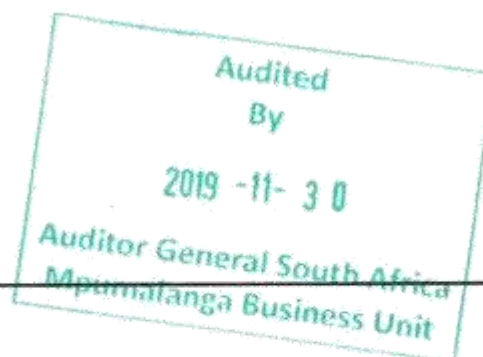
If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

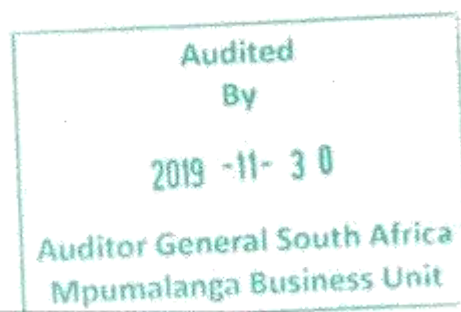
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.



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1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

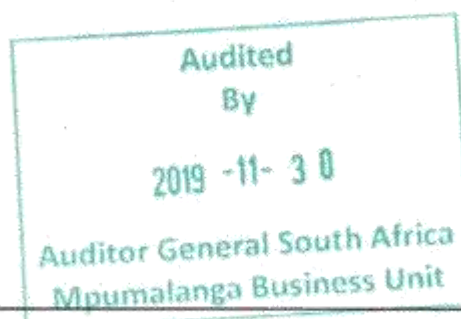
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

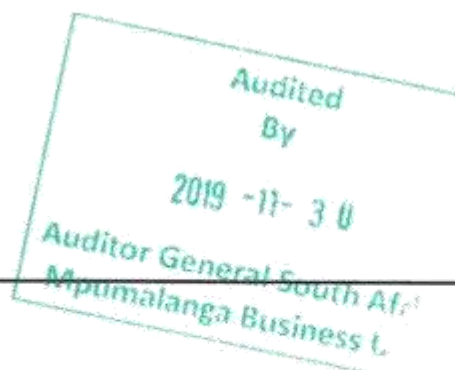


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1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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Accounting Policies

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Mpumalanga Business Unit

1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

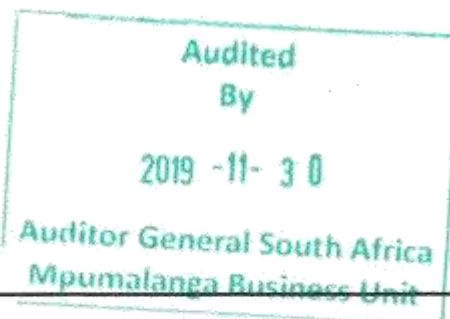
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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1.20 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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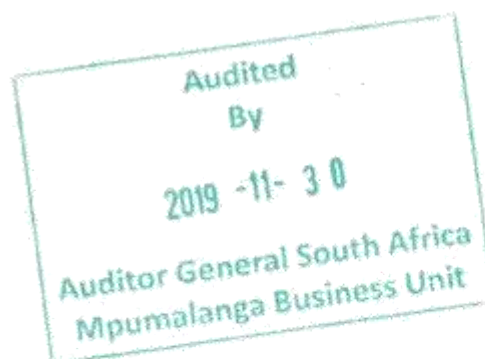
Accounting Policies

1.22 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



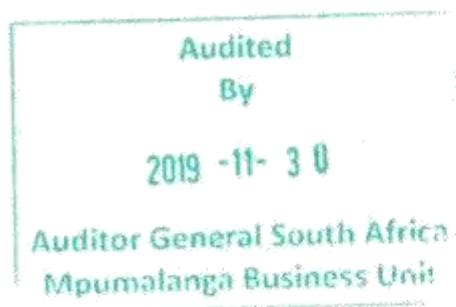
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
2. Inventories		
Consumable stores	10,270,086	9,777,429
Water for distribution	1,049,755	357,264
Land	-	3,044,084
	11,319,841	13,178,777
Carrying value of inventories carried at fair value less costs to sell	11,319,841	13,178,777
Inventories recognised as an expense during the year	611,798	57,821



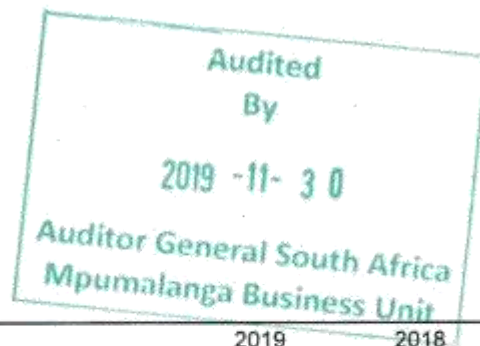
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand



3. Other financial assets

Designated at fair value

Listed Shares - Old Mutual: 13093141

439,165 425,502

This is an Old Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868.

At amortised cost

ABSA Fixed term deposit

42,272 31,472

This is a fixed term deposit with interest capitalised every three months.

ABSA Fixed term deposit

- 8,351

This is a fixed term deposit with interest capitalised every three months.

42,272 39,823

Total other financial assets

481,437 465,325

Non-current assets

Designated at held for trading and available for sale

439,165 425,502

Current assets

At amortised cost

42,272 39,823

4. Receivables from exchange transactions

Deposits

93,298 93,298

Sundry Debtors

4,356,355 3,908,282

4,449,653 4,001,580

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Moody's)

Baa3

3,687,153 4,001,580

Fair value of trade and other receivables

Trade and other receivables

3,687,153 4,001,580

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 3,091,496 (2018: R 3,064,028) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due

3,687,153 4,001,580

5. Receivables from non-exchange transactions

Fines

3,899,700 2,045,006

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Receivables from non-exchange transactions (continued)

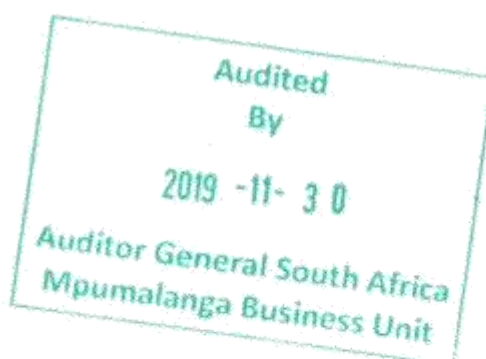
Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 16,473,233 (2018: R 12,302,420) were impaired and provided for.

The amount of the provision was R 15,469,648 as of 30 June 2019 (2018: R 1,003,586).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(1,003,586)	-
Provision for impairment	(15,469,648)	(1,003,586)
	(16,473,234)	(1,003,586)



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Figures in Rand	2019	2018
6. Consumer debtors		
Gross balances		
Rates	77,829,547	71,828,558
Electricity	108,468,471	85,956,478
Water	83,706,860	66,419,517
Sewerage	40,085,736	34,080,712
Refuse	67,026,501	55,604,577
Other	21,500,434	20,520,156
	398,617,549	334,409,998
Less: Allowance for impairment		
Rates	(70,114,778)	(62,873,852)
Electricity	(97,702,011)	(75,240,477)
Water	(75,398,211)	(58,139,144)
Sewerage	(36,106,871)	(29,831,946)
Refuse	(60,373,525)	(48,672,478)
Other	(19,371,928)	(17,959,123)
	(359,067,324)	(292,717,020)
Net balance		
Rates	7,714,769	8,954,706
Electricity	10,766,460	10,716,001
Water	8,308,649	8,280,373
Sewerage	3,978,865	4,248,766
Refuse	6,652,976	6,932,099
Other	2,128,506	2,561,033
	39,550,225	41,692,978
Included in above is receivables from exchange transactions		
Electricity	10,766,459	10,716,003
Water	8,308,650	8,280,373
Sewerage	3,978,865	4,248,763
Refuse	6,652,976	6,932,098
Other	2,128,505	2,561,031
	31,835,455	32,738,268
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,714,769	9,456,829
Net balance	39,550,224	42,195,097
Rates		
Current (0 -30 days)	321,158	445,559
31 - 60 days	254,625	322,230
61 - 90 days	255,398	285,652
91 - 120 days	6,883,588	7,901,265
	7,714,769	8,954,706

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Notes to the Annual Financial Statements

Figures in Rand

2019

2018

6. Consumer debtors (continued)

Electricity

Current (0 -30 days)	624,097	830,515
31 - 60 days	449,803	618,104
61 - 90 days	339,708	445,113
91 - 120 days	9,352,852	8,822,269
	10,766,460	10,716,001

Water

Current (0 -30 days)	246,075	1,830,640
31 - 60 days	216,526	1,823,133
61 - 90 days	199,133	1,410,883
91 - 120 days	7,646,915	3,215,717
	8,308,649	8,280,373

Sewerage

Current (0 -30 days)	101,823	812,073
31 - 60 days	87,534	688,659
61 - 90 days	80,226	594,280
91 - 120 days	3,709,282	2,153,754
	3,978,865	4,248,766

Refuse

Current (0 -30 days)	141,524	1,005,414
31 - 60 days	131,643	918,363
61 - 90 days	127,335	877,645
91 - 120 days	6,252,474	4,130,677
	6,652,976	6,932,099

Other (specify)

Current (0 -30 days)	8,000	90,639
31 - 60 days	3,170	82,394
61 - 90 days	2,129	89,516
91 - 120 days	2,115,207	2,298,484
	2,128,506	2,561,033

Reconciliation of allowance for impairment

Balance at beginning of the year	(292,717,020)	(228,442,973)
Contributions to allowance	(66,350,304)	(64,274,047)
	(359,067,324)	(292,717,020)

Fair value of consumer debtors

Consumer debtors	39,550,224	41,692,978
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Consumer debtors impaired

As of 30 June 2019, consumer debtors of R 359,067,324 (2018: R 292,717,019) were impaired and provided for.

The amount of the provision was R 66,350,304 as of 30 June 2019 (2018: R 64,274,047).

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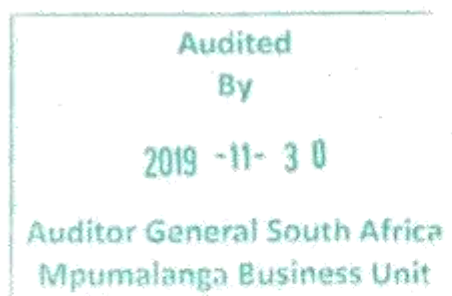
Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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6. Consumer debtors (continued)

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	39,550,224	41,692,979
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Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6,342	6,342
Bank balances	5,608,982	3,095,337
Short-term deposits	197,102	342,244
Bank overdraft	-	-
	5,812,426	3,443,923

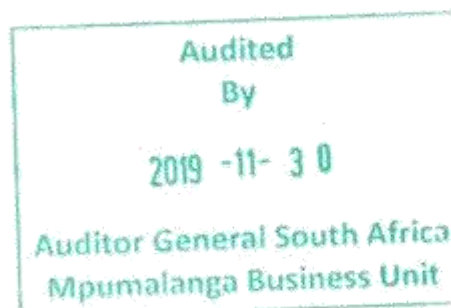
Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Baa3	4,600,093	2,740,008

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank Cheque account - 620131263656	4,457,562	2,397,763	4,706,974	5,608,981	3,095,336	240,852
First National Bank Fixed Deposit account 62254274732	66,972	12,223	250,185	121,542	12,223	250,185
First National Bank call account 62016967351	10,033	26,048	1,000,000	10,033	26,048	1,000,000
FNB Call account EPWP 62706895911	15,539	72,387	-	15,539	72,387	-
FNB Call account WSIG 62706897214	232	47,553	-	232	47,553	-
FNB Call account FMG 62706892280	30,456	26,923	-	30,456	26,923	-
FNB Call account INEP 62706893890	10,702	10,116	-	10,702	10,116	-
FNB Call account EQS 62706889617	8,216	94,567	-	8,216	94,567	-
FNB Call account MIG 62706890911	381	52,428	-	381	52,428	-
Total	4,600,093	2,740,008	5,957,159	5,806,082	3,437,581	1,491,037



Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

2019

2018

8. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	46,524,248	-	46,524,248	52,575,159	-	52,575,159

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	52,575,159	(6,050,911)	46,524,248

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	59,684,288	(7,109,129)	52,575,159

Non-financial information**Quantities of each biological asset**

Trees in a plantation forest	46,524,248	52,575,159
------------------------------	------------	------------

Total population of plantation area;

- Wattle: 22% (582.1ha)

- Gum: 42% (1103.5ha)

- Pine: 36% (963.5ha)

Next fair valuation on the plantation will be due on 30 June 2020

Pledged and restriction

Carrying value of biological assets pledged as security:

Trees standing	-	19,160,654
Terms and conditions		

The Municipality secured a short term loan of R5,000,000 from TWK in June 2019. The Loan is secured over certain compartments of standing trees from the Municipality Forests and Plantations.

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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8. Biological assets that form part of an agricultural activity (continued)

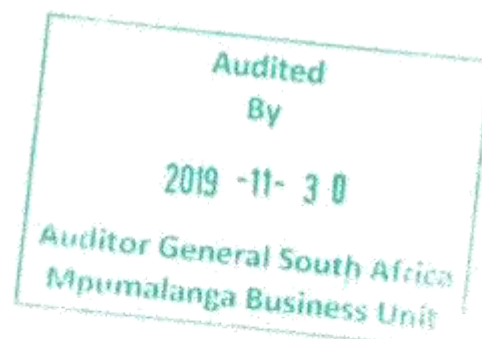
Other information

Methods and assumptions used in determining fair value

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15 tons/ha/year, pine: 13 tons/ha/year, wattle: 10 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi. Harvesting and transport costs were supplied by local contractors in 2019. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2019.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management. Additional text



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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	36,307,094	(18,121,639)	18,185,455	37,107,094	(17,688,351)	19,418,743

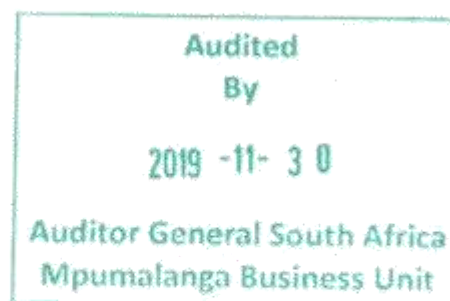
Reconciliation of investment property - 2019

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	19,418,743	(305,191)	(39,950)	(888,147)	18,185,455

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	20,322,294	(903,551)	19,418,743

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



Mkhondo Local Municipality

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10. Property, plant and equipment

	2019		2018	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Land	29,814,564	-	29,814,564	31,304,608
Buildings	67,468,811	(18,206,377)	49,262,434	67,468,811
Infrastructure	2,467,972,805	(1,234,279,893)	1,233,692,912	2,324,257,731
Community	93,659,778	(18,995,516)	74,664,262	87,696,381
Other property, plant and equipment	53,764,083	(30,177,757)	23,586,326	58,802,102
Work in Progress	201,231,076	-	201,231,076	274,837,077
Total	2,913,911,117	(1,301,659,543)	2,844,366,710	(1,188,487,745)
				1,655,878,965



Mkhondo Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Other changes-Transfer to expenditure	Depreciation	Impairment loss	Total
Land	31,304,608	-	(1,490,044)	-	-	-	-	29,814,564
Buildings	51,811,526	-	-	-	-	(2,549,092)	-	49,262,434
Infrastructure	1,209,039,898	7,500,000	(2,403)	142,531,027	-	(125,375,610)	-	1,233,692,912
Community	72,951,260	-	-	5,963,397	-	(4,250,395)	-	74,664,262
Other property, plant and equipment	15,934,596	13,322,360	(1,727,960)	-	-	(3,902,992)	(39,678)	23,586,326
Work in Progress	274,837,077	112,744,000	-	(148,494,424)	(37,855,577)	-	-	201,231,076
	1,655,878,965	133,566,360	(3,220,407)	-	(37,855,577)	(136,078,089)	(39,678)	1,612,251,574

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	34,595,890	-	(3,291,282)	-	-	31,304,608
Buildings	42,472,760	-	-	11,805,069	(2,466,303)	51,811,526
Infrastructure	1,290,866,960	29,141,393	-	10,131,805	(121,100,260)	1,209,039,898
Community	54,646,054	-	-	22,149,673	(3,844,467)	72,951,260
Other property, plant and equipment	16,376,946	416,381	-	2,746,623	(3,605,354)	15,934,596
Work in Progress	199,976,783	121,693,464	-	(46,833,170)	-	274,837,077
	1,638,935,393	151,251,238	(3,291,282)	-	(131,016,384)	1,655,878,965

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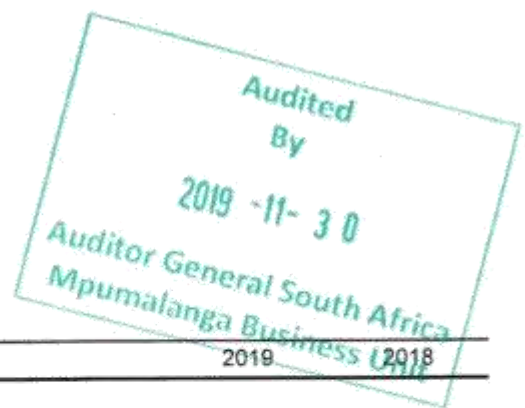
Mkhondo Local Municipality

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Figures in Rand



10. Property, plant and equipment (continued)

Pledged as security

There is no Property, Plant and Equipment which has been pledged as security.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	274,837,078	274,837,078
Additions/capital expenditure	112,744,000	112,744,000
Transfer to expenditure	(37,855,580)	(37,855,580)
Transferred to completed items	(148,494,424)	(148,494,424)
	201,231,074	201,231,074

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	199,976,784	199,976,784
Additions/capital expenditure	121,693,464	121,693,464
Transferred to completed items	(46,833,170)	(46,833,170)
	274,837,078	274,837,078

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	167,250	(108,712)	58,538	167,250	(75,262)	91,988

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	91,988	(33,450)	58,538

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	125,437	(33,449)	91,988

Pledged as security

There are no intangible assets pledged as security.

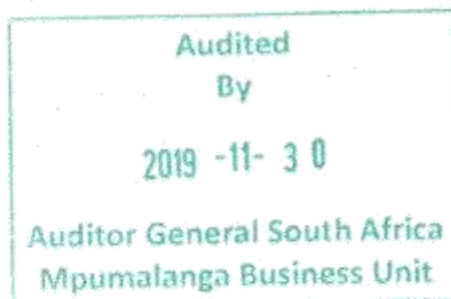
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Figures in Rand	2019	2018
12. Operating lease (accrual)		
Current liabilities	-	(5,275)



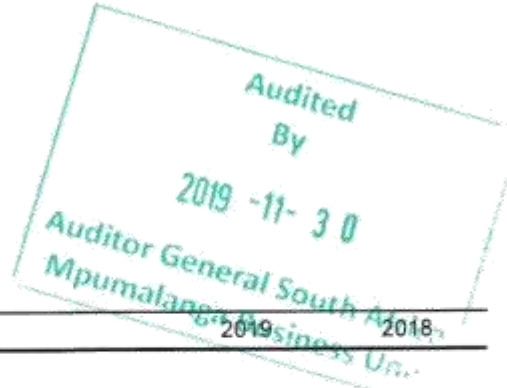
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13. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Key Financial Assumptions

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 1 January 2020.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	8.86%
Health care cost inflation rate	6.45%
Net-of-health-care-cost-inflation discount rate	2.26%
Maximum subsidy inflation rate	4.46%
Net-of-maximum-subsidy-inflation discount rate	4.21%

Key Demographic Assumptions

Table summarises the key demographic assumptions used.

Assumption	value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment	SA 85-90

Mkhondo Local Municipality

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2019

2018

13. Employee benefit obligations (continued)

Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
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Long service awards

Scope of Valuation

The effective date of the valuation is 30 June 2018 (the "Valuation Date"). The valuation considers all employees eligible for LSA. The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2017.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

KEY ASSUMPTIONS

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	8.25%
General earnings inflation rate (long-term)	5.61%
Net effective discount rate	2.50%

Key Demographic Assumptions

Table summarises the key demographic assumptions used.

Assumption	value
Average retirement age	62
Mortality during employment	SA 85-90

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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13. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the Post Employment Medical Aid -wholly unfunded	(12,843,640)	(12,030,705)
Present value of the Long service Award Obligation- wholly funded	(13,132,628)	(10,886,975)

	(25,976,268)	(22,917,680)
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Non-current liabilities	(23,542,705)	(21,298,625)
Current liabilities	(2,433,563)	(1,619,055)

	(25,976,268)	(22,917,680)
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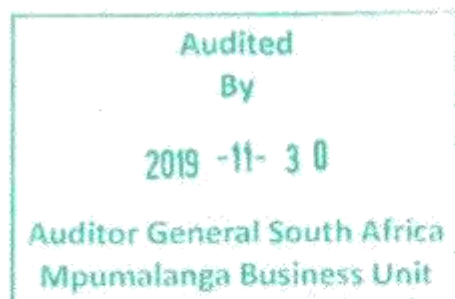
The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	22,917,680	20,998,893
Net expense recognised in the statement of financial performance	3,058,588	1,918,787
	25,976,268	22,917,680

Net expense recognised in the statement of financial performance

Current service cost	1,275,598	1,132,502
Interest cost	1,984,177	1,809,542
Actuarial (gains) losses	1,417,868	462,652
Settlement	(1,619,055)	(1,485,909)
	3,058,588	1,918,787



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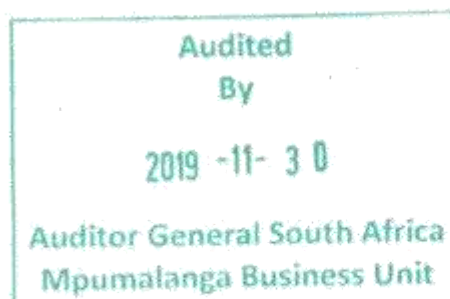
Figures in Rand	2019	2018
14. VAT receivable		
15. Finance lease obligation		
Minimum lease payments due		
- within one year	3,272,800	-
- in second to fifth year inclusive	5,727,400	-
	9,000,200	-
less: future finance charges	(1,686,236)	-
Present value of minimum lease payments	7,313,964	-
Present value of minimum lease payments due		
- within one year	2,314,789	-
- in second to fifth year inclusive	4,999,174	-
	7,313,963	-
Non-current liabilities	4,999,174	-
Current liabilities	2,314,789	-
	7,313,963	-

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 6 years and the average effective borrowing rate was 15% (2018: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.



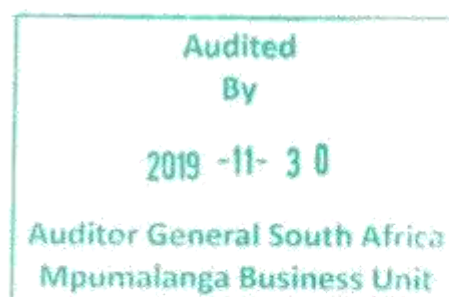
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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Local government sector education and training authority	-	333,732
Integrated National Electrification Programme	-	10,000,000
Water Services Infrastructure grant	-	218,760
	-	10,552,492
Movement during the year		
Balance at the beginning of the year	10,552,492	4,126,488
Additions during the year	133,554,982	153,078,531
Income recognition during the year	(144,107,474)	(146,652,527)
	-	10,552,492
17. Other financial liabilities		
At amortised cost		
TWK Loan	5,000,000	10,000,000
The municipality secured a short term loan from TWK Agribusiness in June 2019. The loan is repayable by July 2019. The loan is secured over certain compartments of the municipality forests and plantations		
Current liabilities		
At amortised cost	5,000,000	10,000,000



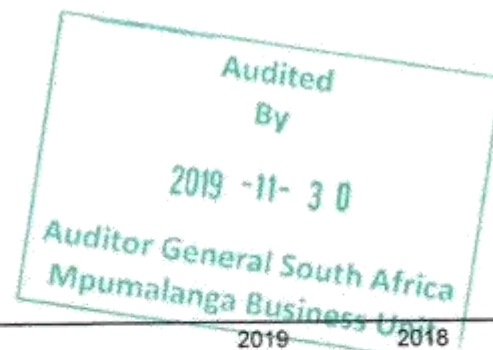
Mkhondo Local Municipality

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18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation provision	21,821,072	3,507,885	25,328,957

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation provision	15,595,181	6,225,891	21,821,072

Environmental rehabilitation provision

FINANCIAL ASSUMPTIONS USED

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 4.1947%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 4% above CPI.

19. Payables from exchange transactions

Trade payables	243,265,793	196,342,547
Accrued bonus	4,331,980	4,632,381
Deposits received	35,066	35,066
Debtors with negative balances	5,762,611	2,885,654
Sundry creditors	34,465,072	35,986,901
Accrued leave pay	16,125,623	16,011,102
	303,986,145	255,893,651

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20. VAT payable

Tax refunds payables	79,146,100	40,026,373
Tax refunds	(61,153,762)	(23,501,234)
	17,992,338	16,525,139

21. Consumer deposits

Electricity, Water and Zero consumption	3,675,399	3,551,068
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22. Revenue

Service charges	169,403,835	148,060,908
Licences and permits	108,204	101,547
Inventories losses/write-downs (Filtered)	611,798	57,821
Rental income	1,237,264	1,142,495
Other income	18,127,101	28,387,838
Interest received	25,904,481	21,186,310
Property rates	43,660,144	39,806,661
Licences and Permits (Non-exchange)	33,042,516	-
Government grants & subsidies	353,463,074	329,103,627
Public contributions and donations	695,600	29,141,392
Fines, Penalties and Forfeits	19,545,461	2,428,175
Gains on disposal of assets	2,591,822	1,686,386
	668,391,300	601,103,160

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	169,403,835	148,060,908
Gains on disposal of assets	108,204	101,547
Rental income	1,237,264	1,142,495
Inventories losses/write-downs (Filtered)	611,798	57,821
Gains on disposal of assets	2,591,822	1,686,386
Other income	18,127,101	28,387,838
Interest received - investment	25,904,481	21,186,310
	217,984,505	200,623,305

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	43,660,144	39,806,661
Licences or permits	33,042,516	-
Transfer revenue		
Government grants & subsidies	353,463,074	329,103,627
Public contributions and donations	695,600	29,141,392
Fines, Penalties and Forfeits	19,545,461	2,428,175
	450,406,795	400,479,855

23. Service charges

Sale of electricity	125,405,696	107,886,762
Sale of water	22,756,681	19,988,998
Sewerage and sanitation charges	9,872,889	9,440,145
Refuse removal	11,368,569	10,745,003
	169,403,835	148,060,908

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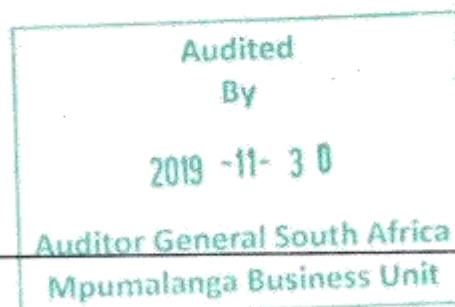
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Figures in Rand	2019	2018
24. Fines, Penalties and Forfeits		
Illegal Connections Fines	19,545,461	2,428,175
25. Licences and permits (exchange)		
License and permits	108,204	101,547
26. Lease rentals on operating lease		
Premises		
Contractual amounts	1,201,657	899,005
Lease rentals on operating lease - Other		
Contractual amounts	3,829,274	3,809,580
	5,030,931	4,708,585
27. Other revenue		
Rental income	1,237,264	1,142,495
Other income - (rollup)	18,127,101	28,387,838
	19,364,365	29,530,333
28. Other income		
Timber sales	15,964,760	25,456,740
Cemetery fees	137,560	182,121
Photo copies	746,523	438,203
Building and clearance certificates	116,902	18,835
Administration costs	24,576	19,486
Commission income	211,286	179,504
Advertising	20,373	23,182
Escourting fees	409,780	1,006,760
Fund raising	8,048	12,401
Other revenue	487,293	1,050,606
	18,127,101	28,387,838
29. Investment revenue		
Interest revenue		
Bank	533,847	1,142,759
Interest charged on trade and other receivables	25,370,634	20,043,551
	25,904,481	21,186,310

The amount included in Investment revenue arising from exchange transactions amounted to R 25,904,481.



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30. Property rates		
Rates received		
Residential	21,395,680	16,164,114
Commercial	9,417,291	9,346,534
State	5,921,386	2,834,749
Small holdings and farms	10,531,324	13,282,425
Less: Income forgone	(3,605,537)	(1,821,161)
	43,660,144	39,806,661

Valuations

Residential	2,607,225,900	2,607,225,900
Commercial	954,812,830	954,812,830
State	497,088,760	497,088,760
Municipal	306,911,400	306,911,400
Small holdings and farms	3,889,505,680	3,889,505,680
Vacant Land	193,729,616	193,729,616
Other	6,844,000	6,844,000
	8,456,118,186	8,456,118,186

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

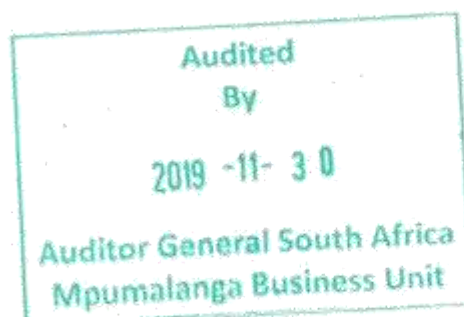
31. Licences and permits (non-exchange)

Licences and permits 1	33,042,516	-
------------------------	------------	---

During the year, the Municipality recognised the amount owed to the Department of Community, Safety and Security of R33,042,516 as revenue. In August 2015, the office of the Premier of Mpumalanga Province passed a resolution wherein the function of Licensing was taken from Mkhondo Municipality back to the Provincial Department. It was resolved that the amount owed by the Municipality be written off.

32. Grants and subsidies paid

Other subsidies		
Equitable share	3,473,151	5,473,471



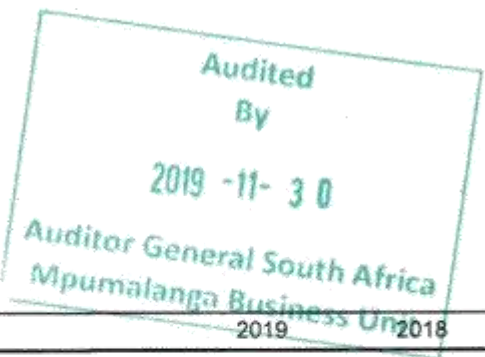
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33. Government grants and subsidies

Operating grants

Equitable share	209,448,000	186,451,100
Finance management grant	2,215,000	2,145,000
Local government sector education and training authority	565,314	161,287
Expanded public works programme incentive grant	2,281,000	3,350,000
	214,509,314	192,107,387

Capital grants

Municipal Infrastructure Grant	76,735,000	102,215,000
Water Services Infrastructure Grant	35,218,760	34,781,240
Integrated national electrification programme	27,000,000	-
	138,953,760	136,996,240
	353,463,074	329,103,627

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	138,953,760	82,422,541
Unconditional grants received	214,509,314	192,107,387
	353,463,074	274,529,928

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 259 (2018: R 242), which is funded from the grant.

Municipal infrastructure grant (MIG)

Current-year receipts	76,735,000	102,215,000
Conditions met - transferred to revenue	(76,735,000)	(102,215,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The municipality has outstanding projects relating to Municipal Infrastructure Grant funding which are yet to be completed. The conditions of the projects are directly in-line with the DORA requirements. The Municipality has committed the unspent portion of the Grant to projects. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish. An amount of R76,735,000 (2018: R102,215,000) of the Municipal Infrastructure Grant was expended on Infrastructure capital projects.

Financial management grant (FMG)

Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,215,000)	(2,145,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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33. Government grants and subsidies (continued)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. An amount of R2, 215,000 (2018 - R2,145,000) was used during the period.

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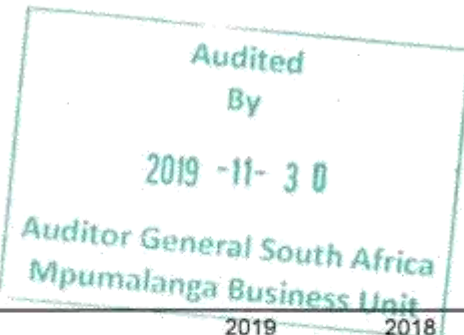
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33. Government grants and subsidies (continued)

Local government sector education and training authority

Balance unspent at beginning of year	333,732	126,488
Current-year receipts	323,982	368,531
Conditions met - transferred to revenue	(657,714)	(161,287)
	-	333,732

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce. Provide explanations of conditions still to be met and other relevant information. An amount of R657,714 (2018 - R161,287) was expended during the period.

Conditions still to be met - remain liabilities (see note 16).

Integrated national electrification programme

Balance unspent at beginning of year	10,000,000	4,000,000
Current-year receipts	13,000,000	10,000,000
Refund of amount previously withheld by National Treasury	4,000,000	-
Conditions met - transferred to revenue	(27,000,000)	-
Repaid to National treasury	-	(4,000,000)
	-	10,000,000

Conditions still to be met - remain liabilities (see note 16).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Integrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Expanded public works programme incentive grant

Current-year receipts	2,281,000	3,350,000
Conditions met - transferred to revenue	(2,281,000)	(3,350,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent jobs. An amount of R2,281,000 (R3,350,000) was used during the period.

Water Services Infrastructure Grant

Balance unspent at beginning of year	218,760	-
Current-year receipts	35,000,000	35,000,000
Conditions met - transferred to revenue	(35,218,760)	(34,781,240)
	-	218,760

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33. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 16).		
The Water Services Infrastructure Grant is used for the construction of the Sewer Package plant in Haartebeesfontein and Rustplaas. During the period an amount of R35,218,760 (2018 - R34,781, 240) was used on the project.		
34. Public contributions and donations		
Gert Sibande District Municipality	695,600	29,141,392
Reconciliation of conditional contributions		
Current-year receipts	695,600	29,141,392
Conditions met - transferred to revenue	(695,600)	(29,141,392)
	-	-

Conditions still to be met - remain liabilities (see note 16)

During the 2018/19 financial year, the District Municipality handed over certain projects which it funded on behalf of the Mkhondo Municipality. The projects were handed over at the end of the financial year.

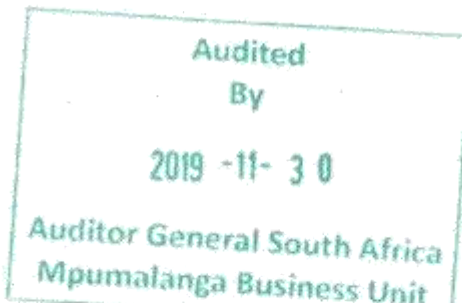
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35. Employee related costs

Basic	105,437,930	98,567,788
Bonus	8,173,608	8,292,643
Medical aid contributions	7,907,751	6,176,444
Unemployment insurance fund contributions	817,244	793,344
WCA	434	-
Skills Development Levy	1,319,230	1,246,042
Leave pay provision charge	665,488	2,838,900
Pension fund contributions	22,233,129	19,388,837
Subsistence and other allowances	5,372,932	5,180,918
Overtime payments	11,563,995	10,794,578
Housing benefits and allowances	1,713,210	1,202,425
Standby	8,248,549	7,565,966
	173,453,500	162,047,885

Listed below are remuneration of key employees. Their remuneration is included in employee costs disclosed above.

Remuneration of municipal manager

Annual Remuneration	1,018,221	823,942
Other allowances	45,169	220,010
Contributions to UIF, Medical and Pension Funds	144,790	114,333
	1,208,180	1,158,285

Mr M. Kunene who is the Municipal Manager served for the whole year to 30 June 2019.

Remuneration of Chief finance officer

Annual Remuneration	819,837	422,299
Other allowances	37,302	279,148
Contributions to UIF, Medical and Pension Funds	141,025	107,314
	998,164	808,761

Mr B. Maseko who is the Chief Financial Officer served for 12 months up to 30 June 2019.

Remuneration of General Manager - Planning and Development

Annual Remuneration	818,992	94,786
Other allowances	37,302	33,200
Contributions to UIF, Medical and Pension Funds	140,836	5,364
	997,130	133,350

Mr L Motloung who is the new GM Planning and Development served for the 12 months to 30 June 2019.

General manager - Corporate services

Annual Remuneration	739,904	405,085
Other allowances	37,302	60,818
Contributions to UIF, Medical and Pension Funds	150,631	74,833
Leave Gratuity	141,079	-
	1,068,916	540,736

Mr M Thabede served for 12 months to 30 June 2019.

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35. Employee related costs (continued)

General manager - Technical services

Annual Remuneration	755,482	-
Other allowances	37,302	-
Contributions to UIF, Medical and Pension Funds	131,346	-
	924,130	-

The GM Technical Services Ms Z. Lugongolo served for 12 months to 30 June 2019.

General manager - Community Services

Annual Remuneration	864,996	94,281
Car Allowance	37,302	28,744
Contributions to UIF, Medical and Pension Funds	95,809	12,399
	998,107	135,424

Mr V Khumalo is the ne General Manager Community Services and he served for 12 months to 30 June 2019.

36. Remuneration of councillors

Executive Major	847,409	859,069
Chief Whip	702,565	649,031
Speaker	540,105	690,502
Councillors salaries	12,204,321	11,064,869
Councillors pension contribution	757,604	689,123
	15,052,004	13,952,594

37. Depreciation and amortisation

Property, plant and equipment	136,727,239	131,023,751
Investment property	278,681	903,552
Intangible assets	33,450	97,249
	137,039,370	132,024,552

38. Finance costs

Trade and other payables	15,676,319	13,342,678
Finance leases	292,269	-
Current borrowings	717,453	44,789
Other interest paid	1,632,325	1,269,011
	18,318,366	14,656,478

39. Debt impairment

Debt impairment on consumer debtors'	66,350,303	64,274,047
Debt impairment on traffic fines	15,469,648	1,003,586
	81,819,951	65,277,633

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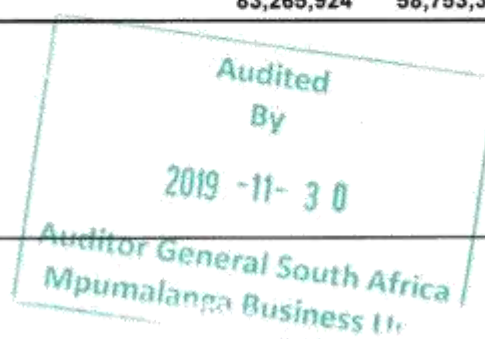
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40. Bulk purchases		
Electricity - Eskom	125,772,188	116,534,843
Water	3,980,732	5,893,865
	129,752,920	122,428,708
41. Contracted services		
Outsourced Services		
Administrative and Support Staff	95,919	252,625
Business and Advisory	26,202,309	22,605,089
Professional Staff	66,575	594,291
Refuse Removal	515,414	469,053
Security Services	16,110,924	20,214,534
Consultants and Professional Services		
Auditors remuneration	4,994,032	3,955,239
Legal Cost	3,646,087	2,892,949
Contractors		
Catering Services	4,197,874	1,950,221
Electrical	648,929	619,858
Gardening Services	-	77,865
Maintenance of Buildings and Facilities	1,215,469	1,380,308
Maintenance of Equipment	19,923,609	12,670,899
Maintenance of Unspecified Assets	35,612,569	6,495,660
Safeguard and Security	1,002	1,135
Sports and Recreation	143,983	198,300
	113,374,695	74,378,026
42. General expenses		
Advertising	1,673,782	1,629,131
Bank charges	1,092,136	775,061
Commission paid	194,794	327,954
Consumables	23,467,069	14,584,402
Discount allowed	-	42,830
Donations	3,044,084	-
Insurance	4,935,723	5,059,915
Community development and training	1,761,507	270,920
Promotions and sponsorships	85,595	-
Printing and stationery	-	59,600
Protective clothing	5,014,421	3,318,142
Subscriptions and membership fees	1,446,109	2,301,088
Telephone and fax	7,006,833	4,084,998
Subsistence and travel	22,249,354	17,291,284
Training	3,650,006	2,628,532
Municipal services	5,768,951	1,422,658
Landfill sites provision	1,875,560	4,956,880
	83,265,924	58,753,395



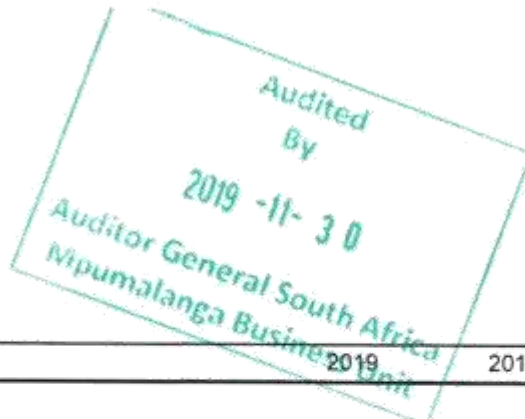
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43. Fair value adjustments

Biological assets - (Fair value model)	(6,050,911)	(7,109,129)
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	14,319	-
	(6,036,592)	(7,109,129)

44. Auditors' remuneration

Business and Advisory	4,994,032	3,955,239
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45. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	1,201,657	899,005
Lease rentals on operating lease - Other		
• Contractual amounts	3,829,274	3,809,580
	5,030,931	4,708,585

Gain on sale of property, plant and equipment	2,591,822	1,686,386
Gain on sale of investment property	611,798	57,821
Impairment on investment property	39,950	-
Amortisation on intangible assets	33,450	97,249
Depreciation on property, plant and equipment	136,727,239	131,023,751
Depreciation on investment property	278,681	903,552
Employee costs	188,505,504	176,000,479

46. Cash generated from operations

Surplus/(deficit)	(98,266,054)	(59,707,296)
Adjustments for:		
Depreciation and amortisation	137,039,370	132,024,552
Sale of assets and liabilities	(2,591,822)	(1,686,386)
Assets transferred to community for no consideration	40,899,661	-
Donated assets	-	(29,141,392)
Fair value adjustments	6,036,592	7,109,129
Impairment deficit	39,950	-
Debt impairment	81,819,951	65,277,633
Movements in retirement benefit assets and liabilities	2,872,708	3,976,784
Movements in provisions	3,507,885	6,225,891
Changes in working capital:		
Inventories	(1,185,148)	(2,549,087)
Receivables from exchange transactions	(448,073)	(222,561)
Consumer debtors	(64,207,548)	(68,690,364)
Other receivables from non-exchange transactions	(17,324,342)	(1,508,586)
Payables from exchange transactions	48,273,112	51,847,887
VAT	1,467,199	10,148,470
Unspent conditional grants and receipts	(10,552,492)	6,426,004
Consumer deposits	124,331	40,846
	127,505,280	119,571,524

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47. Financial instruments disclosure

Categories of financial instruments

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Financial assets

	At fair value	At amortised cost	Total
Other financial assets	481,437	-	481,437
Trade and other receivables from exchange transactions	-	4,449,653	4,449,653
Other receivables from non-exchange transactions	-	3,899,700	3,899,700
Consumer debtors	-	39,550,224	39,550,224
Cash and cash equivalents	-	5,812,426	5,812,426
	481,437	53,712,003	54,193,440

Financial liabilities

	At amortised cost	Total
Other financial liabilities	5,000,000	5,000,000
Trade and other payables from exchange transactions	303,986,145	303,986,145
VAT Payable	17,992,338	17,992,338
Consumer deposits	3,675,400	3,675,400
	330,653,883	330,653,883

2018

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	465,325	-	465,325
Trade and other receivables from exchange transactions	-	4,001,580	4,001,580
Other receivables from non-exchange transactions	-	2,045,006	2,045,006
Consumer debtors	-	41,692,978	41,692,978
Cash and cash equivalents	-	3,443,923	3,443,923
	465,325	51,183,487	51,648,812

Financial liabilities

	At amortised cost	Total
Other financial liabilities	10,000,000	10,000,000
Trade and other payables from exchange transactions	255,893,651	255,893,651
VAT Payable	16,525,139	16,525,139
Consumer deposits	3,551,068	3,551,068
Unspent conditional grants	10,552,492	10,552,492
	296,522,350	296,522,350

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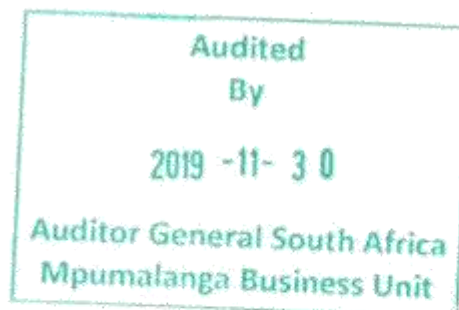
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48. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	58,741,660	156,710,161
Total capital commitments		
Already contracted for but not provided for	58,741,660	156,710,161
Total commitments		
Total commitments		
Authorised capital expenditure	58,741,660	156,710,161
<p>This committed expenditure relates to plant and equipment and will be financed by the Government through disbursements by National Treasury for various Infrastructure projects, available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.</p>		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3,796,457	1,662,300
- in second to fifth year inclusive	3,490,659	1,908,520
	7,287,116	3,570,820

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.



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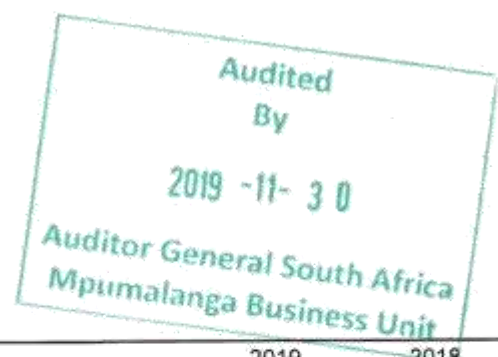
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49. Contingencies

Contingencies as at 30 June 2019

NAME OF CLAIMANT	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED	COMMENTS
Barek Management Consulting Services	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TMN Kgomo & Associates Incorporated	19148/2011/WD M	Claim A R 761 383.10 Claim B R 1 169 904.48	Pleadings have been closed and pre-trial conference to be held our attorneys have written a letter to plaintiffs' attorney to furnish us with three possible dates on which a pre-trial can be held.
Owethu Mkhondo Trading CCs Trading	The Plaintiff is suing the Municipality for the amount of R 21 277 570.63 for alleged breach of contract	TMN Kgomo & Associates Incorporated	46047/2014/WD M	R 21 277 570.63	The matter is trial ready, the pleadings in this matter are closed.
Pamoja TechnologiesP amoja Technologies	The plaintiff is suing the Municipality for the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TMN Kgomo & Associates Incorporated	15597/11/WDM	R 1 396 370.67	Our Attorneys contacted the Plaintiff Attorney to bring to their attention that the file has been unnecessarily pending on their side. Plaintiffs' Attorney informed our Attorney that the file was not assigned to anyone after Mr Dingiswayo left, and they shall take instruction from client and revert. Our attorney has further taken an initiative to uplift the court file however same could not be located at court. Attorney is following the matter up with both attorneys and court.
Busamasi Investments CC	A claim was instituted by the plaintiff for damages amounting to R588 842.62 following an alleged breach of contract by the municipality.	TMN Kgomo & Associates Incorporated	47483/2011/WD M	R558 942.62	The matter is in active, our Attorneys contacted the Plaintiff's Attorney and they indicated their intention to have the matter withdrawn. We await plaintiff's notice of withdrawal.

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49. Contingencies (continued)

Rethuseng Live Line Services CC	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant. The plaintiff is claiming an amount of R 4 846 015.42.	TMN Kgomo & Associates Incorporated	40779/2014/WD M	R3 249 044.	All pleadings have been served and parties discovered, matter is trial ready
LP De Beer	Mr De Beer has served Summons against the Municipality or the amount of R 470 000.00, stating that he has incurred damages to his motor vehicle resulting from the road and storm water drain which he was travelling on.	Mohlala Attorneys	20751/2015/WD M	R 470 000.00	The Counsel is waiting for the Plaintiff to enrol the application on the opposed roll for same to be argued
Bicacon (Pty) vs Mkhondo Municipality	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract. The plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Bulk line by Mega, which ceded their rights to the Municipality.	Mohlala Attorneys	87155/15/WDM	R 5 319 140.62	The attorney have proceeded to file a Notice ito Rule 30 and 30A has become apposed. We are currently waiting for a date from the registrar on the opposed roll

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49. Contingencies (continued)

P (Pty) Ltd Repairs Maintenance of HDV & Yellow Metal Fleet	The Municipality received notice and summons claiming the R736 975.99 for services rendered as per SLA.	MT SILINDA	5291/2016/BSX	R736 975.99	<p>During the course of litigation and vigorous consultations an offer of settlement was made to the Plaintiffs' attorneys as follows;</p> <p>1. Payment of the amount of R256 976.04. In January 2019, the Municipality was served Warrant of execution has been authorized by the Registrar obtained default Judgment was obtained on the 17 September 2018 for payment of the amount of R736 975.99 plus costs. Having regard to the above and the fact our attorney denied having received any papers from the plaintiff attorney or his correspondent deemed it more fit to proceed to court and apply for a stay in execution pending the launch of a comprehensive Application for Rescission of the Default Judgment together with the adverse and punitive costs orders granted. The Application was heard on the 26th of March 2019 and an Order was granted in favour of the Municipality. Our attorney is busy with the rescission in the matter and correspondent attorney will be joined in the application</p>
EPH Security	The Municipality received notice and summons claiming the 5 277 870.57 million for services rendered.	Madonsela Mthunzi Attorneys	331/2017/BSX	R5 277 870.57	<p>Matter was heard on the 29 April 2019 and adjourn to allow the parties to exchange papers in a view of the application by plaintiff for amendment to be heard again on the 25/11/2019 for trial.</p>

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49. Contingencies (continued)

Madubula Joseph Solly	The Municipality received notice and summons claiming the of R2.2 million to compensate the claimant for loss suffered as the result after his contract has been terminated	Madonsela Mthunzi Attorneys	2017/BSX	R2 200 000	The pleadings in this matter are closed, the matter is currently ready for trial.
Jacobs MME Bredenham	The Municipality received summons claiming R8568.90. Plaintiff hit the pothole and his motor vehicle got damages	Mthunzi Madonsela Attorneys	230/2017/BSX	R8 568.90	The plaintiff has applied for joinder parties to the pleadings, joining the Department of Public Works, which application have been consented to.
Ideal prepaid Action matter	Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract	Madonsela Mthunzi Inc. Attorneys	732/2018/BSX	R32 089 340.00	The Municipality has requested financial statements from the Plaintiff before we can plead but the plaintiff has since refused to provide such. The Municipality brought an interlocutory application, requesting the Court to compel the Plaintiff to provide it with statements. Municipal Attorneys consulted with advocate and concluded that the heads of arguments will be served and filed by the 22 nd Feb 2019
Mnisi Solomon Jabulani Gomu	The Mkhondo Local Municipality received summons from the Plaintiff alleging that he had been arrested and detained by the traffic officers of the Mkhondo Local Municipality, he is therefore claiming an amount of R 850 000.00	Mohlala Attorneys	8550/2017/BSX	R 850 000.00	The Defendant's special plea and plea has been served and filed accordingly and the matter is currently at discovery stage

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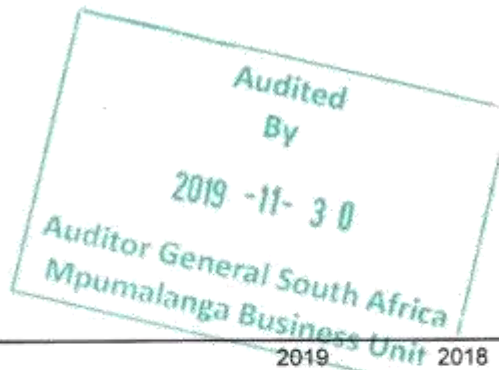
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49. Contingencies (continued)

Vorster Andries Wilhelmus Jacobus	The Plaintiff is suing the Mkhondo Local Municipality in the amount of R 25 000.00 for a once off gratuity equal to three months pensionable salary, the Plaintiff was a councillor at the Municipality.	Mohlala Attorneys	367/2015/BSX	R 25 000.00	The Plaintiff's attorney have since withdrawn from the matter
Olivier AJ/Olivier J.F.B/Methodist Church of Southern Africa/Eilfiland Nursery school and day care centre vs Mkhondo Local Municipality	The Municipality received Notice of Motion and was cited as the third respondent, as the first and second applicants are objecting to the granting of permission to use a church situated next to their property as a day care centre known as the Eilfiland Nursery School. They are alleging that the first applicant is bio-polar and the immense noise and screaming of children will affect her condition. The Court granted the interdict in their favour. The Municipality has since received an appeal application from Eilfiland Nursery School. The appeal is still on processes	Mohlala Attorneys	44205/2018/BSX	Specific performamce	Appeal application process is still on going.
Dawson and Dobson (Pty) Ltd vs Mkhondo Local Municipality	The Mkhondo Local Municipality received summons from the Plaintiff alleging that we breached the verbal agreement , he is therefore claiming an amount of R 253 461.90 and R4 442.551.39 and costs	Mohlala Attorneys	1755/2018/BSX	R 253 461.90 and R4 442.551.39	We have since consulted with our attorney of record to enter the appearance to defend. A Notice ito Rule 7(1) has been file and awaiting defendants reply

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49. Contingencies (continued)

Municipal Workers Retirement Fund Mkhondo Municipality	The Municipality received an urgent application seeking compliance with the provisions of section 13 A of the PFA application is brought in two stages, Fund seeks the order S 13 A (2) of PFA also an order compelling the Municipality to make payment to the fund of all the outstanding contributions payable to the fund	Madonsela Mthunzi Attorneys	1781/2018/BSX	Specific Performance and monies	We have since consulted with our attorney of record to file our opposing papers. We are struggling with to get proof of payment as they are needed in resolving the matter.
Copasize (Pty) Ltd	The Municipality received a Notice of Motion from Copasize (PTY) Ltd represented by Casaletti Incorporated, after the Municipality cut off their power supply at Erf 246 in Amsterdam, which is within the Jurisdiction of the Mkhondo Municipality. The Notice was to interdict the Municipality from cutting power supply and further directed the Municipality to restores power supply at the above mentioned Erf.	Madonsela Mthunzi Inc Attorneys	312/19/BSX	Specific Performance and monies	The Court set the matter down on the opposed roll for the 7 th of May 2019. Matter was struck off the roll.

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49. Contingencies (continued)

Vorster and Vorsetr /Mkhondo Municipality	The applicants file for the Notice to compel the Municipality to comply with procedures provided for in section 178 of The Spatial Planning and Land Use Management by-law and enforce non-compliance with the notices it issued against the first, second and third respondents to cease their business activities on the property described as portion 61, farm Welgekozen 514, Mkhondo, Mpumalanga	Madonsela Mthumzi Inc Attorneys		Specific Performance and monies	The attorneys have filed rescission of judgement. Matter was initially enrolled on the unopposed roll but they have filed opposing papers thereafter the matter has been removed from unopposed roll to opposed roll.
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Contingent assets

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideals prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality requested the assistance of Mthunzi Madonsela Attorneys pertaining a matter whereby Mr R Lewis was charged with Fraud and suspended, the judgement was given by the presiding officer for Mr Lewis to be reinstated, the Municipality then requested Mthunzi Madonsela for a legal opinion with regard to setting aside the decision of the presiding officer. The counsel appointed managed to draft a legal opinion and the matter is still pending as a decision has not been taken.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

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50. Related parties

Relationships

Accounting Officer

Mr. M. Thabethe

Mr. B. Maseko

Mr. V. Khumalo

Mr. L. Motloung

Ms Z. Lugongolo

National Treasury

Refer to accounting officer's report note

Section 56 Manager

Section 56 Manager

Section 56 Manager

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Section 56 Manager

State controlled entity

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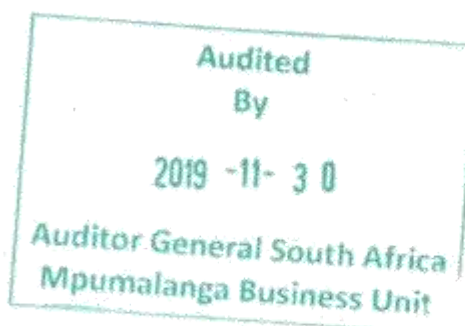
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50. Related parties (continued)		
Related party balances		
Loan accounts - Owing (to) by related parties		
National Treasury	-	(552,492)
TWK Agriculture	(5,000,000)	(10,000,000)

The amounts owed to National Treasury are in respect of grants allocated to the Municipality and were unspent at the reporting date. The TWK amount is a short term loan which is due and payable by July 2019. The amount bears interest at 11.25% per annum fluctuating compounded on a daily balance outstanding and capitalised on the expiry on the facility. Should the Municipality fails to settle the facility by the expiration date, a penalty fee of 7% plus standard bank prime rate shall be payable on the amount outstanding. The amount is secured over certain compartments of plantations.



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50. Related parties (continued)

Remuneration of management

Mayoral committee members

2019

Name	Basic salary	Other short-term employee benefits	Total
Cllr V. Motha	685,395	221,929	907,324
Cllr J. Mnisi	424,695	266,251	690,946
Cllr. T. Khumalo	488,595	203,378	691,973
Cllr. D. Twala	551,344	140,175	691,519
Cllr. M.L. Yende	454,573	237,008	691,581
Cllr. T.G. Nkosi	435,613	298,507	734,120
	3,040,215	1,367,248	4,407,463

2018

Name	Basic salary	Other short-term employee benefits	Total
Cllr. V. Motha	682,642	176,428	859,070
Cllr J. Mnisi	417,898	230,977	648,875
Cllr. T. Khumalo	475,759	174,182	649,941
Cllr. D. Twala	545,224	104,243	649,467
Cllr. M.L. Yende	422,803	226,228	649,031
Cllr. T.G. Nkosi	429,343	261,159	690,502
	2,973,669	1,173,217	4,146,886

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50. Related parties (continued)

Councillors/Mayoral committee members

2019

Name	Basic salary	Other short-term employee benefits	Total
Mayoral committee members	3,040,215	1,367,248	4,407,463
Councillors	7,865,465	2,779,076	10,644,541
	10,905,680	4,146,324	15,052,004

2018

Name	Basic salary	Other short-term employee benefits	Total
Mayoral committee members	2,973,669	1,173,217	4,146,886
Councillors	7,801,581	2,004,127	9,805,708
	10,775,250	3,177,344	13,952,594

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51. Prior period errors

The prior period adjustments relate to a physical asset verification that was performed in June 2019 which resulted in prior period adjustments.

Asset verification

The Municipality reassessed and adjusted the useful lives of certain property and equipment carried at zero net carrying amount, that were determined to be still in use.

The Municipality also identified errors in the allocated useful lives of certain property and equipment as the useful lives allocated did not correctly reflect the length of time the assets can reasonably be used to generate income and be of benefit to the Municipality.

The Municipality also identified land and buildings which were incorrectly classified as property and equipment instead of investment property, as well as an unrecorded transaction relating to investment property. Adjustments have been made to the account balances affected. The correction of this error has been applied retrospectively.

During the physical verification there were assets that were identified on the floor and could not be traced or linked due to the insufficient documentation in the old fixed assets register. There were also assets that were in the old fixed asset register which could not be linked to the assets found on the floor.

The reason why it was impractical to quantify and restate years prior to the 2017 financial year are listed below:

- Those assets were identified as a result of a verification that was performed in the 2019 financial year.
- All attempts to link the assets to line items that were in the existing asset register (e.g. by description, location, serial number) were not successful.
- There is no documentation available to assist in determining when the assets were acquired.

Certain compartments of plantations were incorrectly valued as at 30 June 2018. A new valuation was performed on the plantations that resulted in the value of the plantations increasing from R30,052,809 as previously reported to R52,575,159.

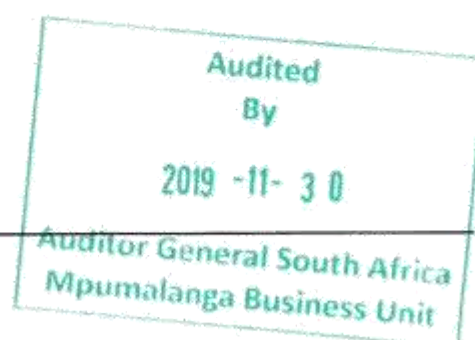
52. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Change in accounting policy	Restated
Investment properties	9	76,575,000	-	(56,252,706)	20,322,294
Property plant and equipment	10	1,601,489,441	37,517,000	-	1,639,006,441
Accumulated surplus		(1,530,160,905)	18,927,541	-	(1,511,233,364)
		147,903,536	56,444,541	(56,252,706)	148,095,371



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52. Prior-year adjustments (continued)

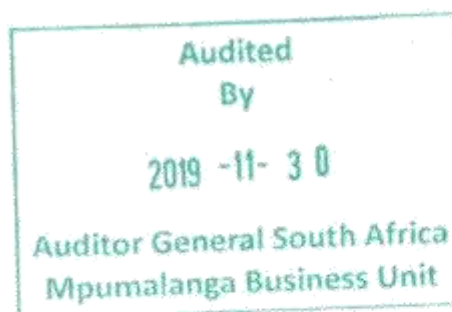
2018

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Investment properties	9	76,575,000	-	(57,156,257)	-	19,418,743
Property plant and equipment	10	1,547,016,943	108,862,025	-	-	1,655,878,968
Biological assets	8	30,052,809	22,522,350	-	-	52,575,159
Intangible assets	11	118,571	(26,583)	-	-	91,988
Payables from exchange transactions	19	(264,956,089)	-	-	9,062,446	(255,893,643)
Receivables from exchange transactions		3,064,028	-	-	937,554	4,001,582
Unspent conditional grants		(552,492)	-	-	(10,000,000)	(10,552,492)
Accumulated surplus		(1,377,324,539)	(74,201,528)	-	-	(1,451,526,067)
		13,994,231	57,156,264	(57,156,257)	-	13,994,238

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Fair value adjustments		29,631,479	(22,522,350)	-	7,109,129
Contracted services		46,559,488	-	27,818,538	74,378,026
General expenditure		86,579,295	(7,362)	(27,818,538)	58,753,395
Depreciation		202,025,795	(70,001,243)	-	132,024,552
Surplus for the year		364,796,057	(92,530,955)	-	272,265,102



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53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited to the Municipality's management thereof.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality management of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	5,000,000	-	-	-
Trade and other payables	325,653,882	-	-	-
Lease liabilities	2,314,789	2,693,544	2,305,630	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10,000,000	-	-	-
Trade and other payables	286,522,350	-	-	-

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53. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Investments	481,437	465,325
Receivables from non exchange transactions	3,899,700	2,045,006
Receivables from exchange transactions	4,449,653	4,001,580
Cash and bank balances	5,812,424	3,443,923
Consumer deposits	39,550,225	41,692,978

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. To decrease interest rate risk exposure, investments is mostly done on a term not longer than six months. The current interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	39,550,225	-	-	-	-
Trade and other payables - extended credit terms	11.50 %	325,653,882	-	-	-	-
Other financial assets	6.00 %	42,272	439,165	-	-	-
Financial liabilities	11.25 %	5,000,000	-	-	-	-
Lease liability	15.00 %	2,314,789	2,693,544	2,305,630	-	-

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

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54. Unauthorised expenditure		
Opening balance as previously reported	230,673,181	454,837,409
Opening balance as restated	230,673,181	454,837,409
Add: current year - unauthorised expenditure	256,242,032	230,673,181
Less: Amount written off - prior period	-	(454,837,409)
Closing balance	486,915,213	230,673,181

The unauthorised expenditure as at 30 June 2019 is currently under investigation by MPAC.

Unauthorised expenditure: Budget overspending – per municipal department

Budget & Treasury	44,411,670	-
Executive and Council	-	135,732,916
Planning and Development	-	504,465
Water	-	34,916,685
Community and social development	30,684,420	27,479,803
Corporate department	1,678,393	-
Technical department	179,467,549	32,039,313
	256,242,032	230,673,182

The unauthorised expenditure as at 30 June 2019 is currently under investigation by MPAC.

55. Fruitless and wasteful expenditure

Opening balance as previously reported	13,420,539	41,576,354
Opening balance as restated	13,420,539	41,576,354
Add: Current year fruitless and wasteful expenditure	17,238,719	13,420,539
Less: Amount written off - prior period	-	(41,576,354)
Closing balance	30,659,258	13,420,539

The fruitless and wasteful expenditure as at 30 June 2019 is currently under investigation by MPAC.

56. Irregular expenditure

Opening balance	30,712,824	376,577,809
Opening balance as restated	30,712,824	376,577,809
Add: Irregular Expenditure -current year	32,036,822	30,712,824
Less: Amount written off - prior period	-	(376,577,809)
Closing balance	62,749,646	30,712,824

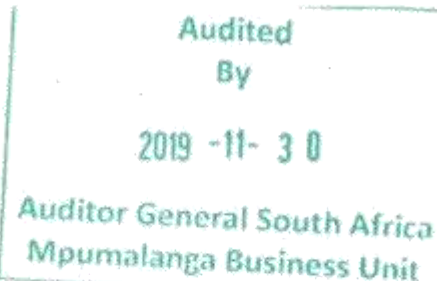
The Irregular expenditure as at 30 June 2019 is currently under investigation by MPAC.

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57. Additional disclosure in terms of Municipal Finance Management Act

Material losses

2019

Electricity losses for the current year amounted to 32% i.e. R40,369,130. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 22% i.e. R616,862. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

2018

Electricity losses for the current year amounted to 37% i.e. R42,404,706. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 31% i.e. R1,271,460. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	3,355,037	550,494
Current year subscription / fee	4,994,032	3,955,239
VAT raised on invoices	767,958	549,363
Interest	404,875	-
Amount paid	(3,925,695)	(1,700,059)
	5,596,207	3,355,037

PAYE and UIF

Opening balance	2,088,355	-
Current year subscription / fee	27,511,178	25,183,385
Interest and Penalties	2,139,893	-
Amount paid - current year	(26,900,648)	(23,095,030)
	4,838,778	2,088,355

Pension and Medical Aid Deductions

Opening balance	3,168,208	-
Current year subscription / fee	40,607,318	37,391,773
Amount paid - current year	(40,361,708)	(34,225,565)
	3,413,818	3,166,208

VAT

VAT receivable	(61,153,762)	(23,501,234)
VAT payable	79,146,100	40,026,373
	17,992,338	16,525,139

VAT output payables and VAT input receivables are shown in note 20.

All VAT returns have been submitted by the due date throughout the year.

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57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. V. Motha	88	-	88
Cllr. Shelembe N.J.	779	7,010	7,789
Cllr. Ntuli. M.D	3,807	3,485	7,292
Cllr. Ntshakala D.M.	289	4,160	4,449
Cllr. Mthethwa F.C	344	3,469	3,813
Cllr. Mahlobo S.C	1,006	7,651	8,657
Cllr. Khumalo B.M	8,138	108,517	116,655
Cllr. Yende S.Z	725	4,056	4,781
Cllr. Nkosi T.B	563	-	563
Cllr. Makhathini J	1,539	15,321	16,860
Cllr. Ngobese D.L	1,149	4,364	5,513
Cllr. Mchunu B.J	1,394	8,486	9,880
	19,821	166,519	186,340

30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. V. Motha	(2,667)	-	(2,667)
Cllr. Z.J. Mnisi	2,155	-	2,155
Cllr. M.D. Ntuli	4,373	-	4,373
Cllr. D.M. Ntshakala	3,319	-	3,319
Cllr. F.C. Mthetwa	2,476	-	2,476
Cllr. N.N. Zulu	11,924	-	11,924
Cllr. S.C. Mahobo	5,542	-	5,542
Cllr. B.M. Khumalo	101,638	-	101,638
Cllr. S.Z. Yende	1,814	-	1,814
Cllr. T.B. Nkosi	276	-	276
Cllr. S.E. Mntshali	2,882	-	2,882
Cllr. J.P. Makhathini	8,648	-	8,648
Cllr. D.L. Ngobese	2,907	-	2,907
	145,287	-	145,287

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

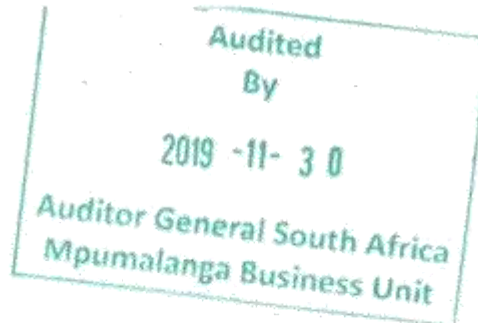
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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58. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following deviations were recorded during the year under review.

Deviations for the year ended 30 June 2019

Service provider	Service description	Contract price	Procurement date	Order number	Reason for the deviation
Government Printing Works	Gazetting of By-Laws (Revenue Section)	6,557.20	12/06/2019	026228	Section 40 of SCM Policy - Impractical / impossible to follow official procurement processes and Sole Service Provider relating to "Publication of notices and advertisements by the municipality where applicable legislation or council policy dictates".
Government Printing Works	Gazetting of By-Laws (Legal Section)	122,569.20	19/06/2019	026178	Section 40 of SCM Policy - Impractical / impossible to follow official procurement processes and Sole Service Provider relating to "Publication of notices and advertisements by the municipality where applicable legislation or council policy dictates".

Deviations for the year ended 30 June 2018

Service provider	Service description	Contract price	Procurement date	Order number	Reason for the deviation
Emalangen Technologies	UPS service for the sever room.	R 34,916.52	28/07/2017	026228	The Municipal Policy on Supply Chain Management states that all requirements above R30 000(Vat Incl.) must be advertised on the notice board for at least seven (7) Days. The unit did not observe the 7 days.
Kainos Investments (pty) Ltd	Supply and Install Preprogramed Elster A 1700 multifunction KWH & KVA max Meter with GPRS/3G modem.	R 199272.00	13/07/2017	026178	Due to the emergency nature of this request to prevent the revenue loss of electricity by speedily procuring and installing the bulk meters on the identified major customers around town.

59. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

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59. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source additional funding by increasing revenue base for the ongoing operations for the municipality.

On the 9th of November 2019, the municipality received correspondence from national treasury with the intention of invoking section 216(2) of the constitution due to failure to adopt a funded budget by the municipality for the 2019/20 financial year.

National and Provincial Treasury is assisting the municipality to develop a Financial Recovery Plan. The municipality has taken steps to rectify the problem by submitting all the information requested by national treasury. The municipality submitted the funded budget report and the council resolution to both National Treasury and Provincial Treasury on the 8th of November 2019. The municipality is working with Provincial Treasury to resolve the matter.



Mkhondo Local Municipality

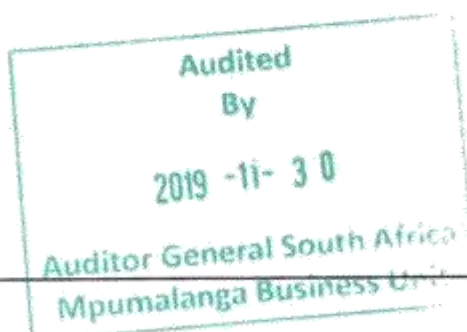
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Executive Mayor	Cllr. V.M. Motha
Speaker	Cllr. T.G. Nkosi
Chief Whip	Cllr. M. Yende
Member of Mayoral Committee- Finance	Cllr. Z.J. Mnisi
Member of Mayoral Committee- Community Services	Cllr. D. Twala
Member of Mayoral Committee- Planning, Corporate and Development	Cllr. T.E. Khumalo
Councillors	Cllr. C.B Mkwanzani
	Cllr. D.M. Twala
	Cllr. B.J. Vilakazi
	Cllr. B.M. Khumalo
	Cllr. S.S.Mathebuka
	Cllr. T.P. Hlatshwayo
	Cllr. K.D. Masondo
	Cllr. R.P. Hlatshwayo
	Cllr. T.S. Nkosi
	Cllr. D.M. Ntshakala
	Cllr. J.P. Makathini
	Cllr. T.S. Mafuyeka
	Cllr. M.Z. Ngwenya
	Cllr. T.W. Manana
	Cllr. M.D. Nthuli
	Cllr. B.C. Mkwanzani
	Cllr. T.B. Nkosi
	Cllr. F.C. Mthetwa
	Cllr. S.M. N. Bophela
	Cllr. T.S.M. Zulu
	Cllr. S.Z. Yende
	Cllr. D.L. Ngobeza
	Cllr. J.B. Brussow
	Cllr. S.J. Methula
	Cllr. S.C. Mahlobo
	Cllr. R.J.A. Wilson
	Cllr. P.E. Thabede
	Cllr. N.N. Zulu
	Cllr. T.P. Mncube
	Cllr. B.J. Mchunu



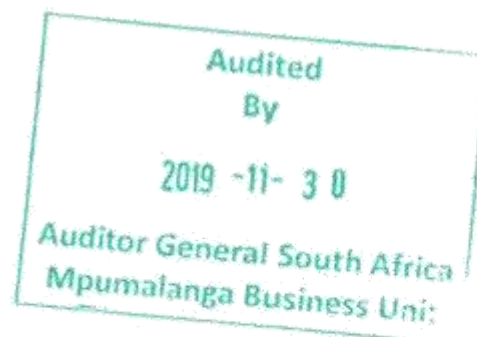
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

General Information

Accounting Officer	Mr. M. Kunene
Chief Finance Officer (CFO)	Mr. B. Maseko
Registered office	Cnr Market & De Wet street Piet Retief 2380
Business address	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Bankers	First National Bank A division of First Rand Limited



Mkhondo Local Municipality

(Registration number MP303)

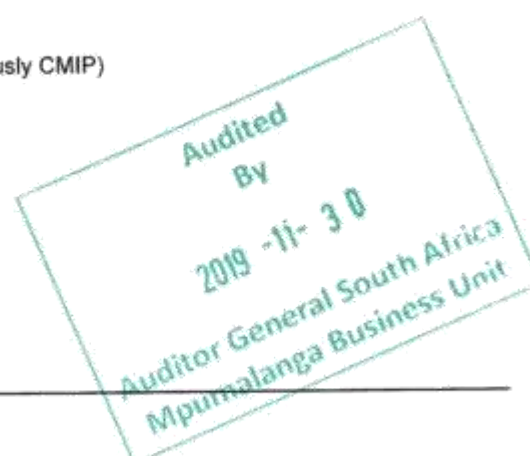
Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on Pages 5 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

Audited

By

2019 -11- 30

Auditor General South Africa

Vipumalanga Business Unit

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 98,266,054 (2018: deficit R 59,707,296), after taxation of R - (2018: R -).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in the contracts awarded for the period under review.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr. M. Kunene

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive Mayor and Municipal Manager

The roles of the Executive Mayor and the Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

Audit committee

The audit committee members for the period under review are as follows:

Name	Position	Date of appointment
Ms. C. Nyembe	Chairperson	30 August 2018
Advocate J. C. Weapond	Member	1 December 2017
Mr. L. Mohalaba	Member	1 December 2017
Mr. A. Singh	Member	25 August 2018

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has a functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The Municipality's banker is First National Bank Limited, a division of First Rand Limited.

9. Auditors

Auditor General South Africa will continue in office for the next financial period.

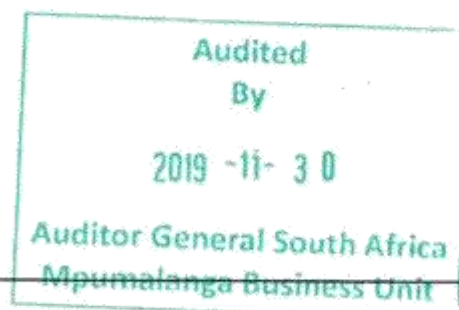
10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Mkhondo Local Municipality did not enter into any Public Private Partnerships during the year under review.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:



Mkhondo Local Municipality

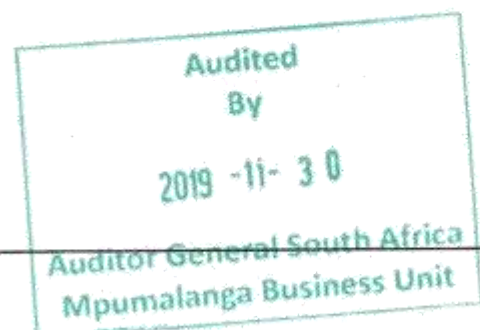
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	11,319,841	13,178,777
Other financial assets	3	42,272	39,823
Receivables from exchange transactions	4	4,449,653	4,001,580
Receivables from non-exchange transactions	5	3,899,700	2,045,006
Consumer debtors	6	39,550,225	41,692,978
Cash and cash equivalents	7	5,812,426	3,443,923
		65,074,117	64,402,087
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	46,524,248	52,575,159
Investment property	9	18,185,455	19,418,743
Property, plant and equipment	10	1,612,251,574	1,655,878,965
Intangible assets	11	58,538	91,988
Other financial assets	3	439,165	425,502
		1,677,458,980	1,728,390,357
Total Assets		1,742,533,097	1,792,792,444
Liabilities			
Current Liabilities			
Other financial liabilities	17	5,000,000	10,000,000
Finance lease obligation	15	2,314,789	-
Operating lease liability	12	-	5,275
Payables from exchange transactions	19	303,986,145	255,893,651
VAT payable	20	17,992,338	16,525,139
Consumer deposits	21	3,675,399	3,551,068
Employee benefit obligation	13	2,433,563	1,619,055
Unspent conditional grants and receipts	16	-	10,552,492
		335,402,234	298,146,680
Non-Current Liabilities			
Finance lease obligation	15	4,999,174	-
Employee benefit obligation	13	23,542,705	21,298,625
Provisions	18	25,328,957	21,821,072
		53,870,836	43,119,697
Total Liabilities		389,273,070	341,266,377
Net Assets		1,353,260,027	1,451,526,067
Accumulated surplus		1,353,260,027	1,451,526,067

* See Note 52 & 51



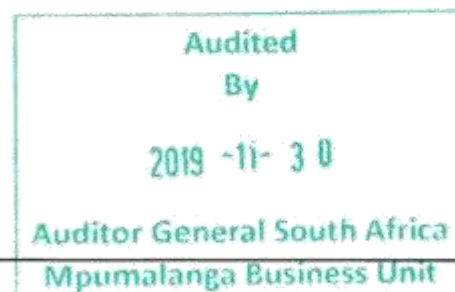
Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	169,403,835	148,060,908
Licences and permits	25	108,204	101,547
Rental income		1,237,264	1,142,495
Other income	28	18,127,101	28,387,838
Interest received	29	25,904,481	21,186,310
Gain on disposal of assets and liabilities		2,591,822	1,686,386
Inventories gains/losses	2	611,798	57,821
Total revenue from exchange transactions		217,984,505	200,623,305
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	43,660,144	39,806,661
Licences and Permits (Non-exchange)	31	33,042,516	-
Transfer revenue			
Government grants & subsidies	33	353,463,074	329,103,627
Public contributions and donations	34	695,600	29,141,392
Fines, Penalties and Forfeits	24	19,545,461	2,428,175
Total revenue from non-exchange transactions		450,406,795	400,479,855
Total revenue	22	668,391,300	601,103,160
Expenditure			
Employee related costs	35	(173,453,500)	(162,047,885)
Remuneration of councillors	36	(15,052,004)	(13,952,594)
Depreciation and amortisation	37	(137,039,370)	(132,024,552)
Impairment loss		(39,950)	-
Finance costs	38	(18,318,366)	(14,656,478)
Lease rentals on operating lease	26	(5,030,931)	(4,708,585)
Debt Impairment	39	(81,819,951)	(65,277,633)
Bulk purchases	40	(129,752,920)	(122,428,708)
Contracted services	41	(113,374,695)	(74,378,026)
Transfers and Subsidies	32	(3,473,151)	(5,473,471)
Fair value adjustments	43	(6,036,592)	(7,109,129)
General Expenses	42	(83,265,924)	(58,753,395)
Total expenditure		(766,657,354)	(660,810,456)
(Deficit)/surplus for the year		(98,266,054)	(59,707,296)



* See Note 52 & 51

Mkhondo Local Municipality

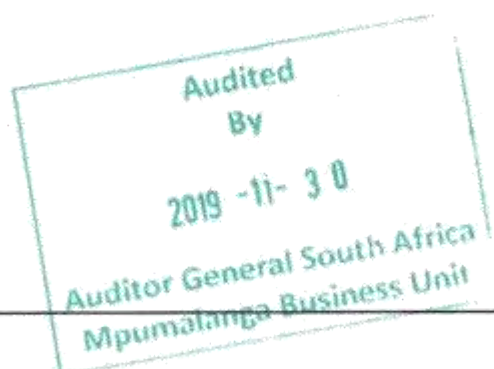
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,530,160,905	1,530,160,905
Adjustments		
Prior year adjustments	(18,927,542)	(18,927,542)
Balance at 01 July 2017 as restated*	1,511,233,363	1,511,233,363
Changes in net assets		
Deficit for the year	(59,707,296)	(59,707,296)
Total changes	(59,707,296)	(59,707,296)
Opening balance as previously reported	1,377,324,539	1,377,324,539
Adjustments		
Prior year adjustments	74,201,542	74,201,542
Restated* Balance at 01 July 2018 as restated*	1,451,526,081	1,451,526,081
Changes in net assets		
Surplus for the year	(98,266,054)	(98,266,054)
Total changes	(98,266,054)	(98,266,054)
Balance at 30 June 2019	1,353,260,027	1,353,260,027

* See Note 52 & 51



Mkhondo Local Municipality

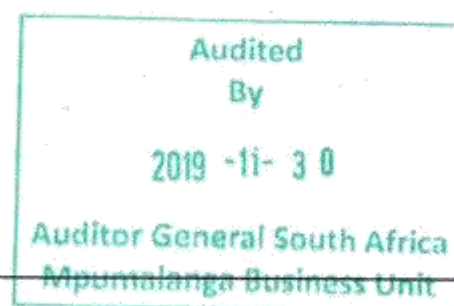
(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property Taxation		37,659,156	25,733,411
Sale of goods and services		190,856,042	143,816,253
Grants		343,606,182	335,529,631
Interest income		533,847	1,142,759
		572,655,227	506,222,054
Payments			
Employee costs		(185,632,797)	(172,023,695)
Suppliers		(241,198,784)	(199,970,357)
Finance costs		(18,318,366)	(14,656,478)
		(445,149,947)	(386,650,530)
Net cash flows from operating activities	46	127,505,280	119,571,524
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(133,566,367)	(122,181,014)
Proceeds from sale of property, plant and equipment	10	6,117,420	1,933,584
Purchase of financial assets		(1,793)	(82,858)
Net cash flows from investing activities		(127,450,740)	(120,330,288)
Cash flows from financing activities			
Proceeds from other financial liabilities		-	10,000,000
Repayment of other financial liabilities		(5,000,000)	(7,296,891)
Finance lease receipts		7,313,963	-
Net cash flows from financing activities		2,313,963	2,703,109
Net increase/(decrease) in cash and cash equivalents		2,368,503	1,944,345
Cash and cash equivalents at the beginning of the year		3,443,923	1,499,578
Cash and cash equivalents at the end of the year	7	5,812,426	3,443,923

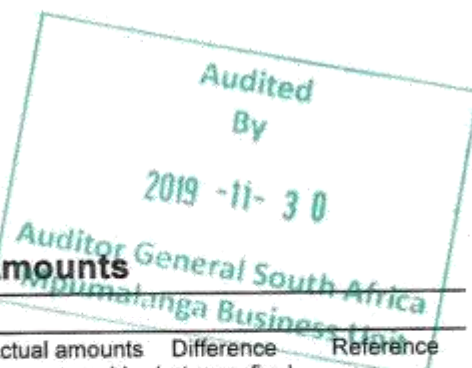
* See Note 52 & 51



Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	170,561,700	20,278,236	190,839,936	169,403,835	(21,436,101)	Ref 1
Licences and permits	55,104	(31,262)	23,842	108,204	84,362	Ref 2
Rental income	1,542,720	(166,764)	1,375,956	1,237,264	(138,692)	Ref 3
Other income - (rollup)	12,178,020	9,091,197	21,269,217	18,127,101	(3,142,116)	Ref 4
Interest received - investment	14,148,504	784,653	14,933,157	25,904,481	10,971,324	Ref 5
Total revenue from exchange transactions	198,486,048	29,956,060	228,442,108	214,780,885	(13,661,223)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	46,852,188	(416,556)	46,435,632	43,660,144	(2,775,488)	Ref 6
Licences and Permits (Non-exchange)	-	-	-	33,042,516	33,042,516	

Transfer revenue

Government grants & subsidies	334,174,356	-	334,174,356	353,463,074	19,288,718	Ref 7
Public contributions and donations	-	-	-	695,600	695,600	
Fines, Penalties and Forfeits	2,187,696	924,913	3,112,609	19,545,461	16,432,852	Ref 8

Total revenue from non-exchange transactions	383,214,240	508,357	383,722,597	450,406,795	66,684,198	
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Total revenue	581,700,288	30,464,417	612,164,705	665,187,680	53,022,975	
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Expenditure

Personnel	(166,126,092)	4,894,397	(161,231,695)	(173,453,500)	(12,221,805)	Ref 9
Remuneration of councillors	(15,724,104)	1,232,925	(14,491,179)	(15,052,004)	(560,825)	
Depreciation and amortisation	(72,847,200)	334,704	(72,512,496)	(137,039,370)	(64,526,874)	Ref 10
Impairment loss/ Reversal of impairments	-	-	-	(39,950)	(39,950)	
Finance costs	-	-	-	(18,318,366)	(18,318,366)	Ref 11
Lease rentals on operating lease	-	-	-	(5,030,931)	(5,030,931)	Ref 12
Debt Impairment	(51,500,004)	-	(51,500,004)	(81,819,951)	(30,319,947)	Ref 13
Bulk purchases	(121,922,100)	(24,873,053)	(146,795,153)	(129,752,920)	17,042,233	Ref 14
Contracted Services	(19,165,284)	(2,746,574)	(21,911,858)	(113,374,695)	(91,462,837)	Ref 15
Transfers and Subsidies	(5,281,392)	344,763	(4,936,629)	(3,473,151)	1,463,478	Ref 16
General Expenses	(61,348,188)	(16,272,165)	(77,620,353)	(83,265,924)	(5,645,571)	Ref 17
Total expenditure	(513,914,364)	(37,085,003)	(550,999,367)	(760,620,762)	(209,621,395)	

Operating deficit	67,785,924	(6,620,586)	61,165,338	(95,433,082)	(156,598,420)	
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Gain on disposal of assets and liabilities	(6,000,000)	6,000,000	-	2,591,822	2,591,822	Ref 18
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Fair value adjustments	-	-	-	(6,036,592)	(6,036,592)	Ref 19
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Inventories losses/write-downs	-	-	-	611,798	611,798	Ref 20
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	(6,000,000)	6,000,000	-	(2,832,972)	(2,832,972)	
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Mkhondo Local Municipality

(Registration number MP303)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	61,785,924	(620,586)	61,165,338	(98,266,054)	(159,431,392)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	61,785,924	(620,586)	61,165,338	(98,266,054)	(159,431,392)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	8,500,000	-	8,500,000	11,319,841	2,819,841	Ref 21
Other financial assets	5,500,000	-	5,500,000	42,272	(5,457,728)	Ref 22
Receivables from exchange transactions	-	-	-	4,449,653	4,449,653	Ref 23
Receivables from non-exchange transactions	-	-	-	3,899,700	3,899,700	Ref 24
Consumer debtors	164,868,840	-	164,868,840	39,550,225	(125,318,615)	Ref 25
Cash and cash equivalents	770,140	-	770,140	5,812,426	5,042,286	Ref 26
	179,638,980	-	179,638,980	65,074,117	(114,564,863)	

Non-Current Assets

Biological assets that form part of an agricultural activity	48,800,000	-	48,800,000	46,524,248	(2,275,752)	Ref 27
Investment property	16,700,000	-	16,700,000	18,185,455	1,485,455	Ref 28
Property, plant and equipment	1,449,338,805	-	1,449,338,805	1,612,251,574	162,912,769	Ref 29
Intangible assets	250,000	-	250,000	58,538	(191,462)	Ref 30
Other financial assets	-	-	-	439,165	439,165	Ref 31
	1,515,088,805	-	1,515,088,805	1,677,458,980	162,370,175	

Total Assets	1,694,727,785	-	1,694,727,785	1,742,533,097	47,805,312	
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Liabilities

Current Liabilities

Other financial liabilities	-	-	-	5,000,000	5,000,000	Ref 32
Finance lease obligation	-	-	-	2,314,789	2,314,789	Ref 33
Payables from exchange transactions	125,542,818	-	125,542,818	303,986,133	178,443,315	Ref 34
VAT payable	-	-	-	17,992,338	17,992,338	Ref 35
Consumer deposits	3,520,000	-	3,520,000	3,675,399	155,399	Ref 36
Employee benefit obligation	1,500,000	-	1,500,000	2,433,563	933,563	Ref 37
	130,562,818	-	130,562,818	335,402,222	204,839,404	

Non-Current Liabilities

Finance lease obligation	-	-	-	4,999,174	4,999,174	Ref 38
Employee benefit obligation	-	-	-	23,542,705	23,542,705	Ref 39
Provisions	35,108,000	-	35,108,000	25,328,957	(9,779,043)	Ref 40
	35,108,000	-	35,108,000	53,870,836	18,762,836	

Total Liabilities	165,670,818	-	165,670,818	389,273,058	223,602,240	
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Net Assets	1,529,056,967	-	1,529,056,967	1,353,260,039	(175,796,928)	
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Mpumalanga Business Unit

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,529,056,967		- 1,529,056,967	1,353,260,039	(175,796,928)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	36,544,722	-	36,544,722	37,659,156	1,114,434	Ref 41
Sale of goods and services	161,076,571	-	161,076,571	191,303,323	30,226,752	Ref 42
Grants	334,174,365	-	334,174,365	343,606,182	9,431,817	Ref 43
Interest income	1,745,400	-	1,745,400	533,847	(1,211,553)	Ref 44
	533,541,058	-	533,541,058	573,102,508	39,561,450	
Payments						
Employee costs	(175,627,874)	-	(175,627,874)	(184,926,635)	(9,298,761)	Ref 45
Suppliers	(252,007,401)	-	(252,007,401)	(241,952,230)	10,055,171	Ref 46
Finance costs	-	-	-	(18,318,366)	(18,318,366)	Ref 47
	(427,635,275)	-	(427,635,275)	(445,197,231)	(17,561,956)	
Net cash flows from operating activities	105,905,783	-	105,905,783	127,905,277	21,999,494	
Cash flows from investing activities						
Purchase of property, plant and equipment	(115,703,665)	-	(115,703,665)	(133,966,367)	(18,262,702)	Ref 48
Proceeds from sale of property, plant and equipment	6,000,000	-	6,000,000	6,117,420	117,420	Ref 49
Purchase of financial assets	-	-	-	(1,793)	(1,793)	
Net cash flows from investing activities	(109,703,665)	-	(109,703,665)	(127,850,740)	(18,147,075)	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	(5,000,000)	(5,000,000)	Ref 50
Finance lease receipts	-	-	-	7,313,963	7,313,963	
Net cash flows from financing activities	-	-	-	2,313,963	2,313,963	
Net increase/(decrease) in cash and cash equivalents	(3,797,882)	-	(3,797,882)	2,368,500	6,166,382	
Cash and cash equivalents at the beginning of the year	4,100,000	-	4,100,000	3,443,924	(656,076)	
Cash and cash equivalents at the end of the year	302,118	-	302,118	5,812,424	5,510,306	

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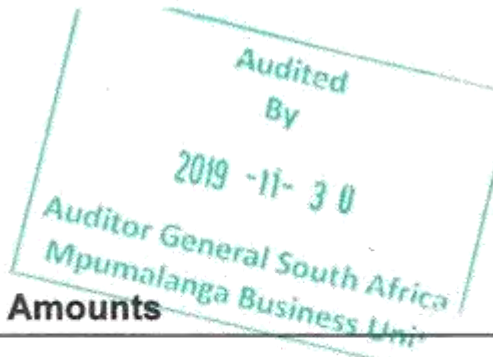
Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis



	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Comparison of Budget and actual amounts variances explanations

Statement of financial performance

Ref 1	Service charges: were 12% below budget. There were meters for water and electricity that could not be billed due to them being faulty and disfunctional.
Ref 2	Licence and permits: was not budgeted for.
Ref 3	Rental income: The variance is 10% below budget, this is considered immaterial
Ref 4	Other income: The variance is 143% above budget
Ref 5	Interest received: The variance is 3201% above budget, because of consumer debtors who are not paying their accounts on time
Ref 6	Property Rates: The variance is 6% below budget, this is considered immaterial
Ref 7	Government grants & subsidy: The variance is 61% above budget
Ref 8	Fines and Penalties: The variance is 140% above the budget
Ref 9	Employee Salaries: The variance is 3% above the budget, this is considered immaterial
Ref 10	Remuneration of Councillors: The variance is 4% above the budget, this is considered immaterial
Ref 11	Depreciation: The variance is 99% below budget. The current year depreciation is yet to be factored in.
Ref 12	Finance Costs: Finance charges is 1% below the budget
Ref 13	Debt impairment: Debt impairment is 29 % above budget. This is attributed to general economic hardships facing the community and hence a huge non performing debt book.
Ref 14	Repairs and maintenance is 100% above budget. The actual expenditure on repairs and maintenance is reported under contracted services.
Ref 15	Bulk purchases is 12% below budget. This could be attributed to the success in awareness campaigns to conserve electricity.
Ref 16	Transfer and grants The variance is 12% below the budget. This is due to less than anticipated consumers registered for the indigent subsidy for the financial year.
Ref 17	General expenditure The variance is 3% above budget and is considered immaterial.
Ref 18	Loss on disposal of assets was not budgeted for
Ref 19	Fair value adjustment The variance is 100%, it was not budgeted for
Ref 20	Inventory losses The variance is 100%, it was not budgeted for

Statement of Financial Position

Current Assets

Ref 21	Inventories: the variance is 26% above budget. Municipality held more stocks at year end than anticipated.
Ref 22	Other financial Assets: the variance is 99% below budget. No new investments were undertaken because of low liquidity during the year.
Ref 23	Receivable from exchange transaction: The variance is 100% above budget, not budgeted for.
Ref 24	Receivable from non-exchange transaction: The variance is 100% above budget, not budgeted for
Ref 25	Consumer debtors: The variance is 76% below budget. This is because of a higher impairment provision than what was budgeted for.
Ref 26	Cash and cash equivalents: The variance is 685% above budget. The Municipality had set aside money in short term deposit accounts to meet critical payments and hence a positive cash balance than what was budgeted for.

Non current Liabilities

Ref 27	Biological Assets the variance is 3% below budget
Ref 28	Investment property: The variance is 1% above budget and is considered to be immaterial.
Ref 29	PPE: The variance is 14% below the budget. Depreciation for the year is yet to be factored in.
Ref 30	Intangible Assets: The variance is 53% below budget. There were no new intangibles acquired during the year.
Ref 31	Other financial Assets: The variance is 100% above budget, not budgeted for

Current Liabilities

Ref 32	Other financial liabilities: The variance is 100% above budget, not budgeted for
Ref 33	Finance lease obligation: The variance is 100% above budget, not budgeted for

Mkhondo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Ref 34 Payable from exchange transaction: The variance is 137% above budget. The Municipality had cash flow challenges which inhibited it from liquidating its debts.

Ref 35 Vat payable: The variance is 100% above budget, not budget for

Ref 36 Consumer deposits: The variance is 4% above budget which can be considered as immaterial

Ref 37 Employee benefits obligation: the variance is 8% above budget and is considered immaterial.

Non-Current Liabilities

Ref 38 Finance lease obligation: The variance is 100% above budget, not budget for

Ref 39 Employee benefits obligation the variance is 100% above budget, not budget for

Ref 40 Provision: The variance is 28% below budget.

Cash Flow Statement

Ref 41 Taxation: The variance is 3% above budget. This is considered immaterial.

Ref 42 Sale of goods and services: The budget is 19% above budget. It signifies improved cash collections over budget.

Ref 43 Grants: The variance is 6% above budget. All the grants received met the recognition criteria.

Ref 44 Interest income: The variance is 696% below budget. Not much investment activities took place because of the cash flow challenges.

Ref 45 Employee costs: The variance is 4% above budget. This is considered immaterial.

Ref 46 Suppliers: The variance is 4% above budget and is considered immaterial.

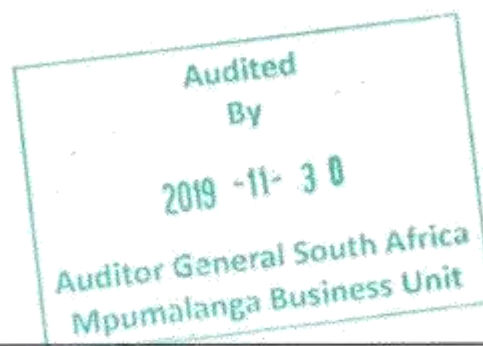
Ref 47 Finance costs: The component was not budgeted for.

Ref 48 Purchase of property plant and equipment: The variance is 7% above budget and is considered immaterial.

Ref 49 Proceeds from sale of property plant and equipment: The variance is 20% below budget. Collections were lower than projected.

Ref 50 Repayment of other financial liabilities: Not budgeted for.

Ref 51 Finance lease: Not budgeted for.



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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

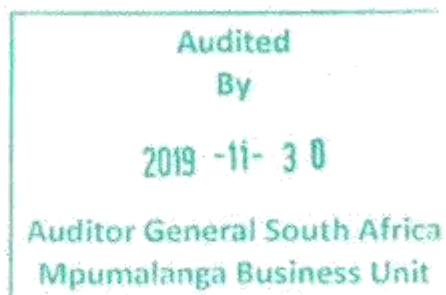
In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.



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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

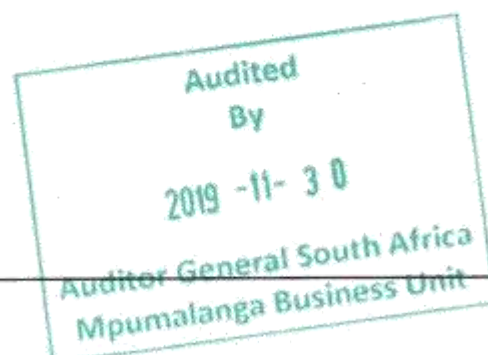
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

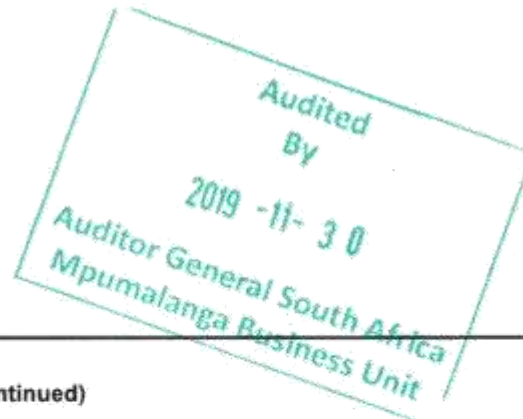


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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Trees in timber plantation - Consumable	indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.5 Investment property (continued)

- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Change in accounting policy

The Municipality changed its accounting policy from fair valuation model to cost model during the year. This resulted in the restatement of prior year reported amounts as disclosed on note 51. The Municipality failed to support the Fair Valuation model which it adopted during the 2017/18 financial year. The Municipality also considered the cost implications of maintaining the fair valuation model which would require valuations to be done on the properties regularly whose service comes at a cost. For these reasons, the Municipality decided to revert to the cost model which had been in use before which it deems to be more reliable. The changes in the accounting policy had been applied in retrospect.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

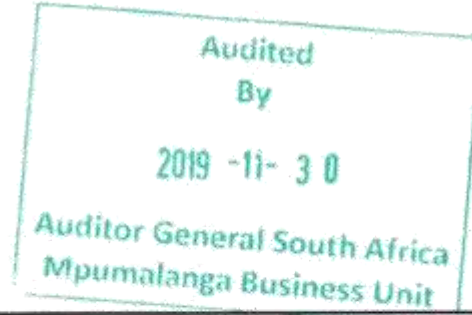
Property, plant and equipment is initially measured at cost.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies



1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

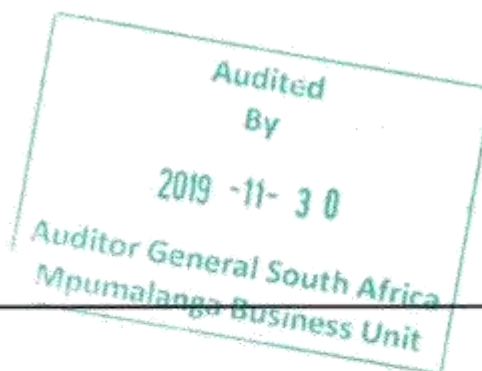
Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Land and buildings - Community Facilities	Straight line	15-100 years
Land and buildings - Servitudes	Straight line	0
Land and Buildings - Fire/Ambulance stations	Straight line	5-100 years
Land and buildings - Municipal offices	Straight line	5-100 years
Land and buildings - Workshops/depots/yards	Straight line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight line	15 -50 years
Land and buildings - Staff housing	Straight line	15 - 100 years
Water Supply network - Storm water network	Straight line	20-50 years
Water Supply network- Bulk mains	Straight line	40- 80 years
Water Supply network - Dams and Weirs	Straight line	15 - 50 years
Water supply network - Distribution	Straight line	80 years
Water supply network - Distribution points	Straight line	15-20 years
Water Supply network - Pumpstations	Straight line	5-100 years
Water Supply network - Reservoirs and towers	Straight line	7-100 years
Water supply networks- Water Treatment works	Straight line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight line	20 years
Electricity networks- MV Network (<=33 kv)	Straight line	45 years

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1.6 Property, plant and equipment (continued)

Work in progress	Straight line	not depreciated
Road networks - Roads	Straight line	5 - 100 years
Road Networks - Roadside assets	Straight line	10-50 years
Sanitation Networks - Boreholes	Straight line	15-50 years
Sanitation networks - Outfall sewers	Straight line	80 years
Sanitation network - Reservoirs & towers	Straight line	15 - 50 years
Sanitation network - Reticulation	Straight line	80 years
Sanitation network - Sewer Pump stations	Straight line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight line	5 - 100 years
Road bridges	Straight line	50 years
Plant and machinery	Straight line	2-15 years
Furniture and fixtures	Straight line	2 - 15 years
Office equipment	Straight line	2-15 years
Transport assets	Straight line	3-15 years
Computer equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

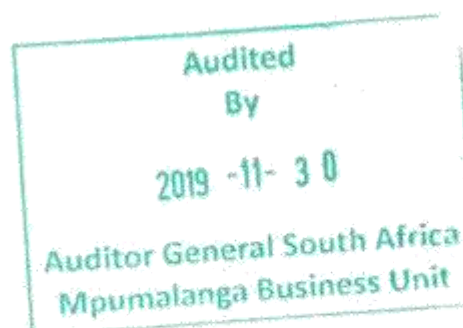
Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

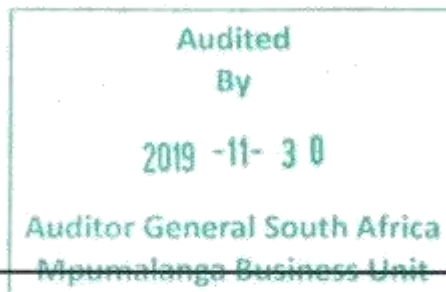


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1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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1.8 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Fixed deposits	Financial asset measured at fair value
Listed equity	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

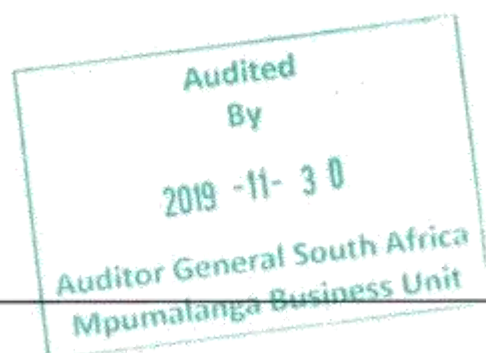
Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.



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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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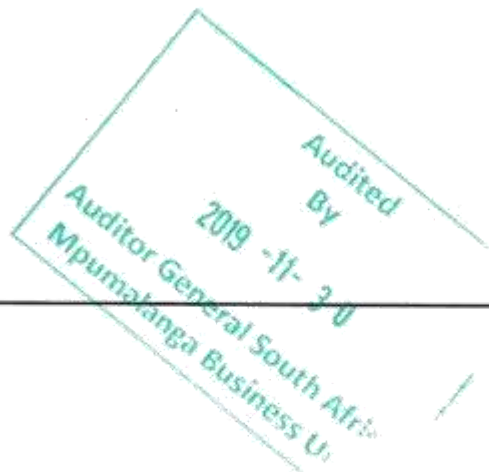
Auditor General South Africa
Mpumalanga Business Unit

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

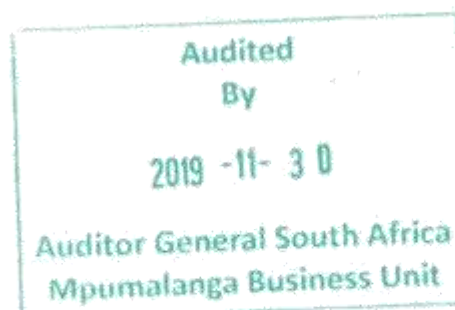
Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

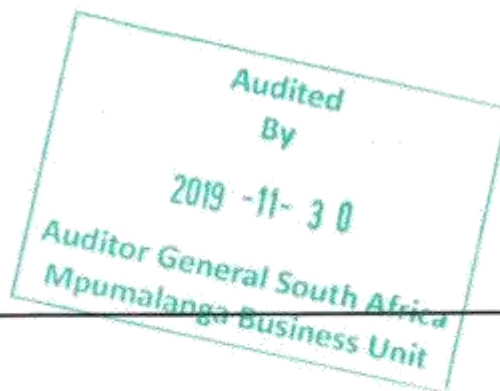


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1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

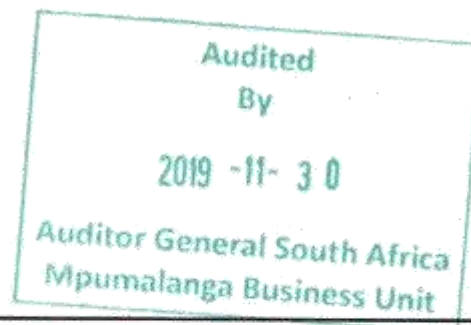
When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

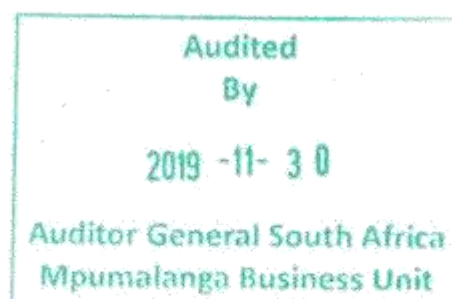
Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.



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1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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1.11 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

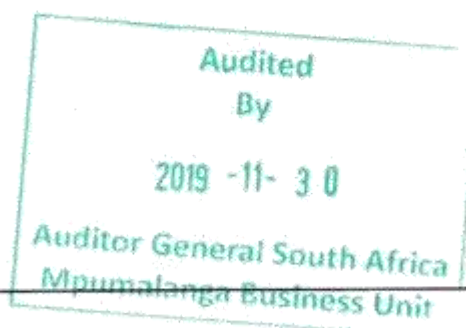
The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

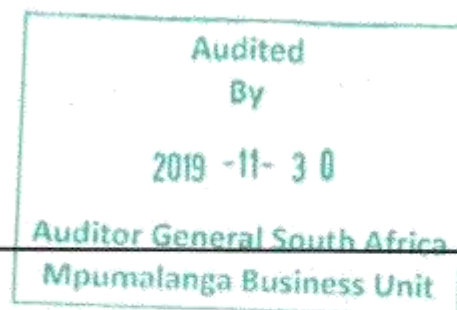


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1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

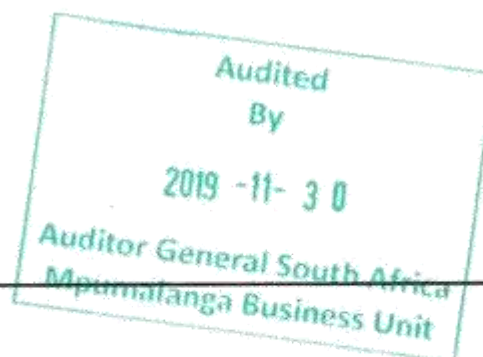
If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

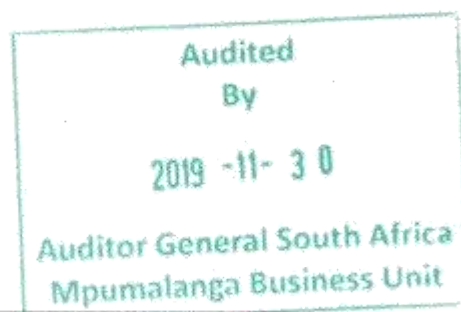
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



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1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.



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1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

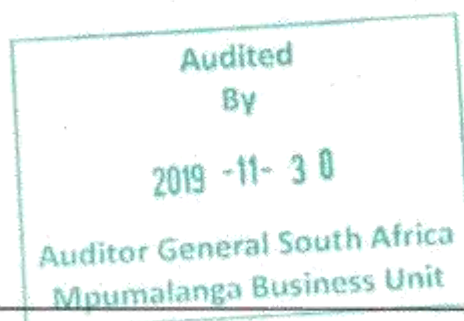
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

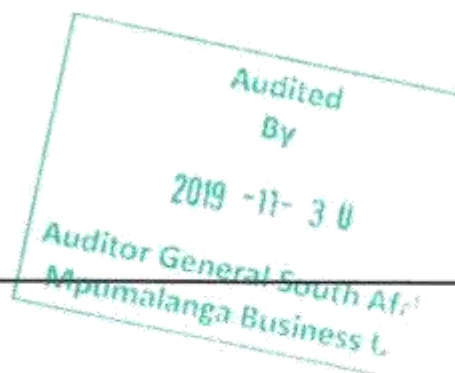


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1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

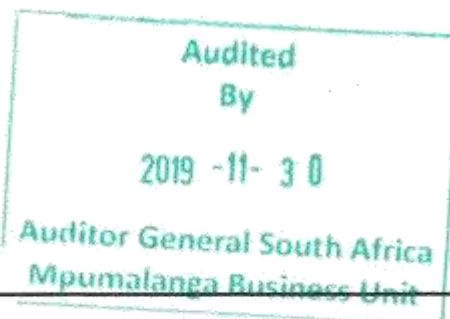
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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Accounting Policies



1.20 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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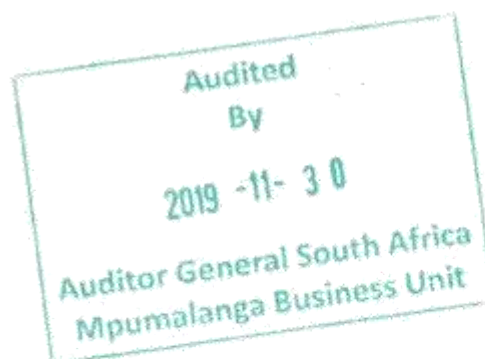
Accounting Policies

1.22 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



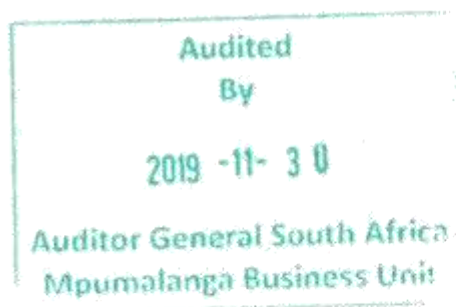
Mkhondo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
2. Inventories		
Consumable stores	10,270,086	9,777,429
Water for distribution	1,049,755	357,264
Land	-	3,044,084
	11,319,841	13,178,777
Carrying value of inventories carried at fair value less costs to sell	11,319,841	13,178,777
Inventories recognised as an expense during the year	611,798	57,821



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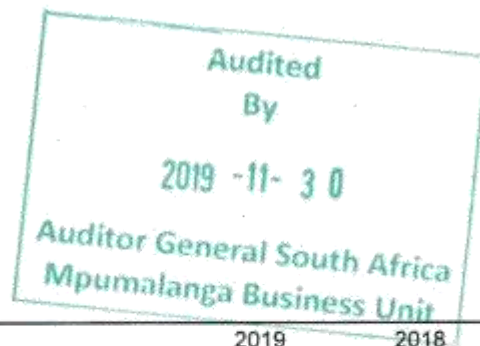
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018



3. Other financial assets

Designated at fair value

Listed Shares - Old Mutual: 13093141

439,165

425,502

This is an Old Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868.

At amortised cost

ABSA Fixed term deposit

42,272

31,472

This is a fixed term deposit with interest capitalised every three months.

ABSA Fixed term deposit

-

8,351

This is a fixed term deposit with interest capitalised every three months.

42,272

39,823

Total other financial assets

481,437

465,325

Non-current assets

Designated at held for trading and available for sale

439,165

425,502

Current assets

At amortised cost

42,272

39,823

4. Receivables from exchange transactions

Deposits

93,298

93,298

Sundry Debtors

4,356,355

3,908,282

4,449,653

4,001,580

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Moody's)

Baa3

3,687,153

4,001,580

Fair value of trade and other receivables

Trade and other receivables

3,687,153

4,001,580

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 3,091,496 (2018: R 3,064,028) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due

3,687,153

4,001,580

5. Receivables from non-exchange transactions

Fines

3,899,700

2,045,006

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Receivables from non-exchange transactions (continued)

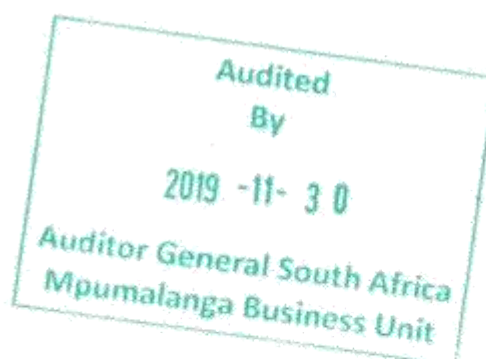
Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 16,473,233 (2018: R 12,302,420) were impaired and provided for.

The amount of the provision was R 15,469,648 as of 30 June 2019 (2018: R 1,003,586).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(1,003,586)	-
Provision for impairment	(15,469,648)	(1,003,586)
	(16,473,234)	(1,003,586)



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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Consumer debtors		
Gross balances		
Rates	77,829,547	71,828,558
Electricity	108,468,471	85,956,478
Water	83,706,860	66,419,517
Sewerage	40,085,736	34,080,712
Refuse	67,026,501	55,604,577
Other	21,500,434	20,520,156
	398,617,549	334,409,998
Less: Allowance for impairment		
Rates	(70,114,778)	(62,873,852)
Electricity	(97,702,011)	(75,240,477)
Water	(75,398,211)	(58,139,144)
Sewerage	(36,106,871)	(29,831,946)
Refuse	(60,373,525)	(48,672,478)
Other	(19,371,928)	(17,959,123)
	(359,067,324)	(292,717,020)
Net balance		
Rates	7,714,769	8,954,706
Electricity	10,766,460	10,716,001
Water	8,308,649	8,280,373
Sewerage	3,978,865	4,248,766
Refuse	6,652,976	6,932,099
Other	2,128,506	2,561,033
	39,550,225	41,692,978
Included in above is receivables from exchange transactions		
Electricity	10,766,459	10,716,003
Water	8,308,650	8,280,373
Sewerage	3,978,865	4,248,763
Refuse	6,652,976	6,932,098
Other	2,128,505	2,561,031
	31,835,455	32,738,268
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,714,769	9,456,829
Net balance	39,550,224	42,195,097
Rates		
Current (0 -30 days)	321,158	445,559
31 - 60 days	254,625	322,230
61 - 90 days	255,398	285,652
91 - 120 days	6,883,588	7,901,265
	7,714,769	8,954,706

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Mkhondo Local Municipality

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6. Consumer debtors (continued)

Electricity

Current (0 -30 days)	624,097	830,515
31 - 60 days	449,803	618,104
61 - 90 days	339,708	445,113
91 - 120 days	9,352,852	8,822,269
	10,766,460	10,716,001

Water

Current (0 -30 days)	246,075	1,830,640
31 - 60 days	216,526	1,823,133
61 - 90 days	199,133	1,410,883
91 - 120 days	7,646,915	3,215,717
	8,308,649	8,280,373

Sewerage

Current (0 -30 days)	101,823	812,073
31 - 60 days	87,534	688,659
61 - 90 days	80,226	594,280
91 - 120 days	3,709,282	2,153,754
	3,978,865	4,248,766

Refuse

Current (0 -30 days)	141,524	1,005,414
31 - 60 days	131,643	918,363
61 - 90 days	127,335	877,645
91 - 120 days	6,252,474	4,130,677
	6,652,976	6,932,099

Other (specify)

Current (0 -30 days)	8,000	90,639
31 - 60 days	3,170	82,394
61 - 90 days	2,129	89,516
91 - 120 days	2,115,207	2,298,484
	2,128,506	2,561,033

Reconciliation of allowance for impairment

Balance at beginning of the year	(292,717,020)	(228,442,973)
Contributions to allowance	(66,350,304)	(64,274,047)
	(359,067,324)	(292,717,020)

Fair value of consumer debtors

Consumer debtors	39,550,224	41,692,978
------------------	------------	------------

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R 359,067,324 (2018: R 292,717,019) were impaired and provided for.

The amount of the provision was R 66,350,304 as of 30 June 2019 (2018: R 64,274,047).

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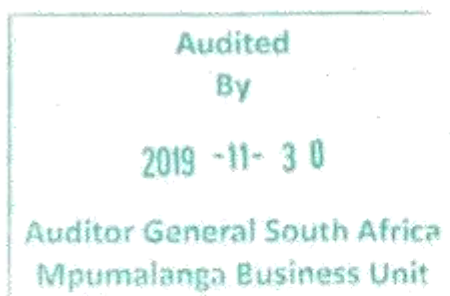
Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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6. Consumer debtors (continued)

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	39,550,224	41,692,979
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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6,342	6,342
Bank balances	5,608,982	3,095,337
Short-term deposits	197,102	342,244
Bank overdraft	-	-
	5,812,426	3,443,923

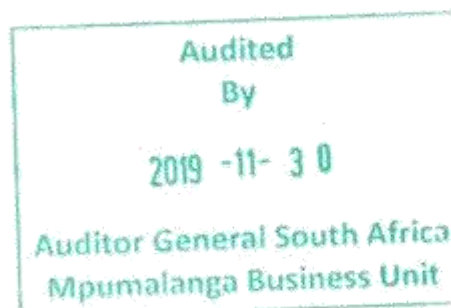
Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Baa3	4,600,093	2,740,008

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank Cheque account - 620131263656	4,457,562	2,397,763	4,706,974	5,608,981	3,095,336	240,852
First National Bank Fixed Deposit account 62254274732	66,972	12,223	250,185	121,542	12,223	250,185
First National Bank call account 62016967351	10,033	26,048	1,000,000	10,033	26,048	1,000,000
FNB Call account EPWP 62706895911	15,539	72,387	-	15,539	72,387	-
FNB Call account WSIG 62706897214	232	47,553	-	232	47,553	-
FNB Call account FMG 62706892280	30,456	26,923	-	30,456	26,923	-
FNB Call account INEP 62706893890	10,702	10,116	-	10,702	10,116	-
FNB Call account EQS 62706889617	8,216	94,567	-	8,216	94,567	-
FNB Call account MIG 62706890911	381	52,428	-	381	52,428	-
Total	4,600,093	2,740,008	5,957,159	5,806,082	3,437,581	1,491,037



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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

2019

2018

8. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	46,524,248	-	46,524,248	52,575,159	-	52,575,159

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	52,575,159	(6,050,911)	46,524,248

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	59,684,288	(7,109,129)	52,575,159

Non-financial information**Quantities of each biological asset**

Trees in a plantation forest	46,524,248	52,575,159
------------------------------	------------	------------

Total population of plantation area;

- Wattle: 22% (582.1ha)

- Gum: 42% (1103.5ha)

- Pine: 36% (963.5ha)

Next fair valuation on the plantation will be due on 30 June 2020

Pledged and restriction

Carrying value of biological assets pledged as security:

Trees standing	-	19,160,654
Terms and conditions		

The Municipality secured a short term loan of R5,000,000 from TWK in June 2019. The Loan is secured over certain compartments of standing trees from the Municipality Forests and Plantations.

Mkhondo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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8. Biological assets that form part of an agricultural activity (continued)

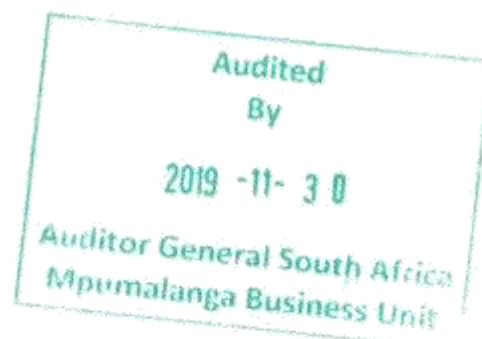
Other information

Methods and assumptions used in determining fair value

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15 tons/ha/year, pine: 13 tons/ha/year, wattle: 10 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi. Harvesting and transport costs were supplied by local contractors in 2019. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2019.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management. Additional text



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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	36,307,094	(18,121,639)	18,185,455	37,107,094	(17,688,351)	19,418,743

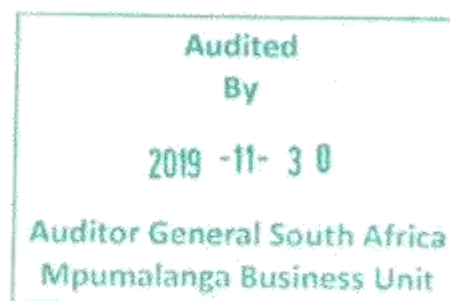
Reconciliation of investment property - 2019

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	19,418,743	(305,191)	(39,950)	(888,147)	18,185,455

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	20,322,294	(903,551)	19,418,743

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



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10. Property, plant and equipment

	2019		2018	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Land	29,814,564	-	31,304,608	-
Buildings	67,468,811	(18,206,377)	67,468,811	(15,657,285)
Infrastructure	2,467,972,805	(1,234,279,893)	2,324,257,731	(1,115,217,833)
Community	93,659,778	(18,995,516)	87,696,381	(14,745,121)
Other property, plant and equipment	53,764,083	(30,177,757)	58,802,102	(42,867,506)
Work in Progress	201,231,076	-	274,837,077	-
Total	2,913,911,117	(1,301,659,543)	2,844,366,710	(1,188,487,745)
				1,655,878,965

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Other changes-Transfer to expenditure	Depreciation	Impairment loss	Total
Land	31,304,608	-	(1,490,044)	-	-	-	-	29,814,564
Buildings	51,811,526	-	-	-	-	(2,549,092)	-	49,262,434
Infrastructure	1,209,039,898	7,500,000	(2,403)	142,531,027	-	(125,375,610)	-	1,233,692,912
Community	72,951,260	-	-	5,963,397	-	(4,250,395)	-	74,664,262
Other property, plant and equipment	15,934,596	13,322,360	(1,727,960)	-	-	(3,902,992)	(39,678)	23,586,326
Work in Progress	274,837,077	112,744,000	-	(148,494,424)	(37,855,577)	-	-	201,231,076
	1,655,878,965	133,566,360	(3,220,407)	-	(37,855,577)	(136,078,089)	(39,678)	1,612,251,574

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	34,595,890	-	(3,291,282)	-	-	31,304,608
Buildings	42,472,760	-	-	11,805,069	(2,466,303)	51,811,526
Infrastructure	1,290,866,960	29,141,393	-	10,131,805	(121,100,260)	1,209,039,898
Community	54,646,054	-	-	22,149,673	(3,844,467)	72,951,260
Other property, plant and equipment	16,376,946	416,381	-	2,746,623	(3,605,354)	15,934,596
Work in Progress	199,976,783	121,693,464	-	(46,833,170)	-	274,837,077
	1,638,935,393	151,251,238	(3,291,282)	-	(131,016,384)	1,655,878,965

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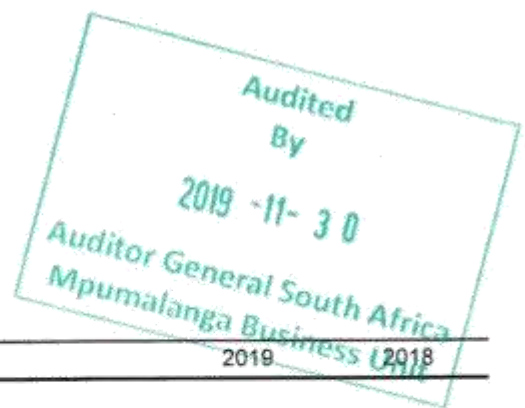
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10. Property, plant and equipment (continued)

Pledged as security

There is no Property, Plant and Equipment which has been pledged as security.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	274,837,078	274,837,078
Additions/capital expenditure	112,744,000	112,744,000
Transfer to expenditure	(37,855,580)	(37,855,580)
Transferred to completed items	(148,494,424)	(148,494,424)
	201,231,074	201,231,074

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	199,976,784	199,976,784
Additions/capital expenditure	121,693,464	121,693,464
Transferred to completed items	(46,833,170)	(46,833,170)
	274,837,078	274,837,078

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	167,250	(108,712)	58,538	167,250	(75,262)	91,988

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	91,988	(33,450)	58,538

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	125,437	(33,449)	91,988

Pledged as security

There are no intangible assets pledged as security.

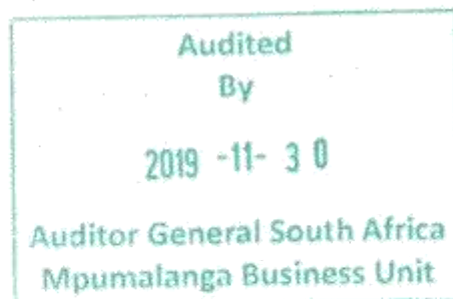
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12. Operating lease (accrual)		
Current liabilities	-	(5,275)



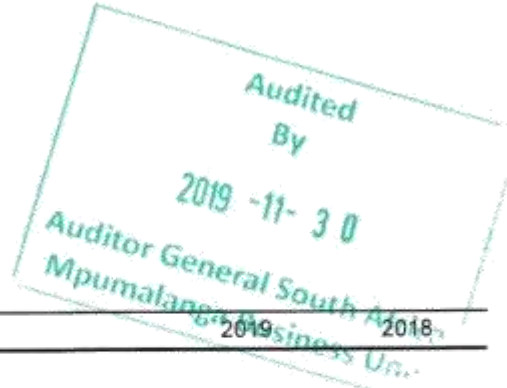
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13. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Key Financial Assumptions

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 1 January 2020.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	8.86%
Health care cost inflation rate	6.45%
Net-of-health-care-cost-inflation discount rate	2.26%
Maximum subsidy inflation rate	4.46%
Net-of-maximum-subsidy-inflation discount rate	4.21%

Key Demographic Assumptions

Table summarises the key demographic assumptions used.

Assumption	value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment	SA 85-90

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13. Employee benefit obligations (continued)

Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
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Long service awards

Scope of Valuation

The effective date of the valuation is 30 June 2018 (the "Valuation Date"). The valuation considers all employees eligible for LSA. The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2017.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

KEY ASSUMPTIONS

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Key Financial assumptions

Assumption	Value p.a.
Discount rate	8.25%
General earnings inflation rate (long-term)	5.61%
Net effective discount rate	2.50%

Key Demographic Assumptions

Table summarises the key demographic assumptions used.

Assumption	value
Average retirement age	62
Mortality during employment	SA 85-90

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13. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the Post Employment Medical Aid -wholly unfunded	(12,843,640)	(12,030,705)
Present value of the Long service Award Obligation- wholly funded	(13,132,628)	(10,886,975)
	(25,976,268)	(22,917,680)

Non-current liabilities	(23,542,705)	(21,298,625)
Current liabilities	(2,433,563)	(1,619,055)
	(25,976,268)	(22,917,680)

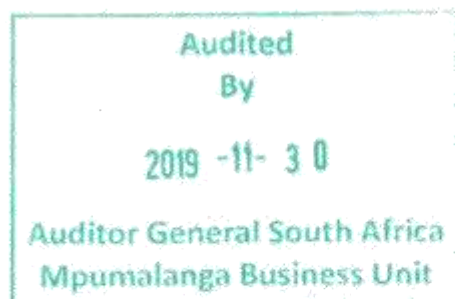
The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	22,917,680	20,998,893
Net expense recognised in the statement of financial performance	3,058,588	1,918,787
	25,976,268	22,917,680

Net expense recognised in the statement of financial performance

Current service cost	1,275,598	1,132,502
Interest cost	1,984,177	1,809,542
Actuarial (gains) losses	1,417,868	462,652
Settlement	(1,619,055)	(1,485,909)
	3,058,588	1,918,787



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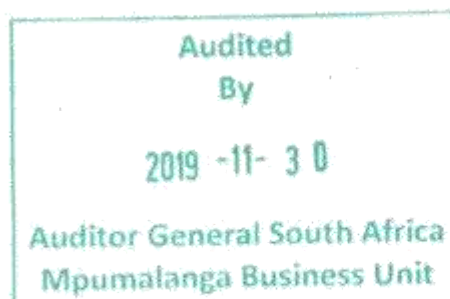
Figures in Rand	2019	2018
14. VAT receivable		
15. Finance lease obligation		
Minimum lease payments due		
- within one year	3,272,800	-
- in second to fifth year inclusive	5,727,400	-
	9,000,200	-
less: future finance charges	(1,686,236)	-
Present value of minimum lease payments	7,313,964	-
Present value of minimum lease payments due		
- within one year	2,314,789	-
- in second to fifth year inclusive	4,999,174	-
	7,313,963	-
Non-current liabilities	4,999,174	-
Current liabilities	2,314,789	-
	7,313,963	-

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 6 years and the average effective borrowing rate was 15% (2018: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.



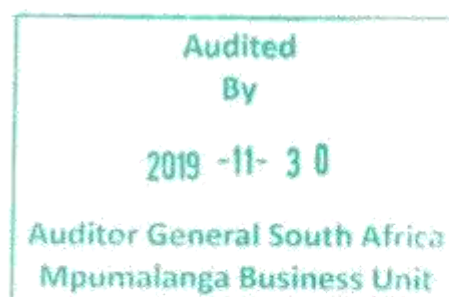
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Figures in Rand	2019	2018
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Local government sector education and training authority	-	333,732
Integrated National Electrification Programme	-	10,000,000
Water Services Infrastructure grant	-	218,760
	-	10,552,492
Movement during the year		
Balance at the beginning of the year	10,552,492	4,126,488
Additions during the year	133,554,982	153,078,531
Income recognition during the year	(144,107,474)	(146,652,527)
	-	10,552,492
17. Other financial liabilities		
At amortised cost		
TWK Loan	5,000,000	10,000,000
The municipality secured a short term loan from TWK Agribusiness in June 2019. The loan is repayable by July 2019. The loan is secured over certain compartments of the municipality forests and plantations		
Current liabilities		
At amortised cost	5,000,000	10,000,000



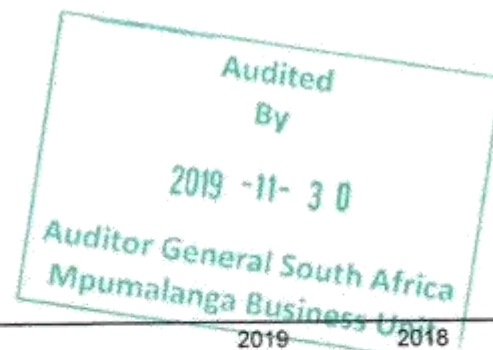
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18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation provision	21,821,072	3,507,885	25,328,957

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation provision	15,595,181	6,225,891	21,821,072

Environmental rehabilitation provision

FINANCIAL ASSUMPTIONS USED

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 4.1947%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 4% above CPI.

19. Payables from exchange transactions

Trade payables	243,265,793	196,342,547
Accrued bonus	4,331,980	4,632,381
Deposits received	35,066	35,066
Debtors with negative balances	5,762,611	2,885,654
Sundry creditors	34,465,072	35,986,901
Accrued leave pay	16,125,623	16,011,102
	303,986,145	255,893,651

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20. VAT payable

Tax refunds payables	79,146,100	40,026,373
Tax refunds	(61,153,762)	(23,501,234)
	17,992,338	16,525,139

21. Consumer deposits

Electricity, Water and Zero consumption	3,675,399	3,551,068
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22. Revenue

Service charges	169,403,835	148,060,908
Licences and permits	108,204	101,547
Inventories losses/write-downs (Filtered)	611,798	57,821
Rental income	1,237,264	1,142,495
Other income	18,127,101	28,387,838
Interest received	25,904,481	21,186,310
Property rates	43,660,144	39,806,661
Licences and Permits (Non-exchange)	33,042,516	-
Government grants & subsidies	353,463,074	329,103,627
Public contributions and donations	695,600	29,141,392
Fines, Penalties and Forfeits	19,545,461	2,428,175
Gains on disposal of assets	2,591,822	1,686,386
	668,391,300	601,103,160

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	169,403,835	148,060,908
Gains on disposal of assets	108,204	101,547
Rental income	1,237,264	1,142,495
Inventories losses/write-downs (Filtered)	611,798	57,821
Gains on disposal of assets	2,591,822	1,686,386
Other income	18,127,101	28,387,838
Interest received - investment	25,904,481	21,186,310
	217,984,505	200,623,305

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	43,660,144	39,806,661
Licences or permits	33,042,516	-
Transfer revenue		
Government grants & subsidies	353,463,074	329,103,627
Public contributions and donations	695,600	29,141,392
Fines, Penalties and Forfeits	19,545,461	2,428,175
	450,406,795	400,479,855

23. Service charges

Sale of electricity	125,405,696	107,886,762
Sale of water	22,756,681	19,988,998
Sewerage and sanitation charges	9,872,889	9,440,145
Refuse removal	11,368,569	10,745,003
	169,403,835	148,060,908

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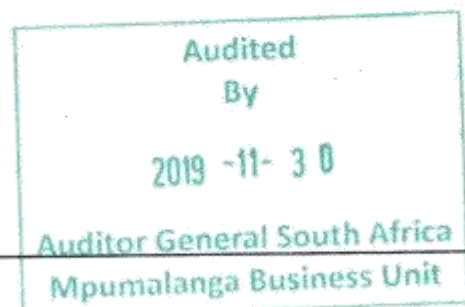
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Figures in Rand	2019	2018
24. Fines, Penalties and Forfeits		
Illegal Connections Fines	19,545,461	2,428,175
25. Licences and permits (exchange)		
License and permits	108,204	101,547
26. Lease rentals on operating lease		
Premises		
Contractual amounts	1,201,657	899,005
Lease rentals on operating lease - Other		
Contractual amounts	3,829,274	3,809,580
	5,030,931	4,708,585
27. Other revenue		
Rental income	1,237,264	1,142,495
Other income - (rollup)	18,127,101	28,387,838
	19,364,365	29,530,333
28. Other income		
Timber sales	15,964,760	25,456,740
Cemetery fees	137,560	182,121
Photo copies	746,523	438,203
Building and clearance certificates	116,902	18,835
Administration costs	24,576	19,486
Commission income	211,286	179,504
Advertising	20,373	23,182
Escourting fees	409,780	1,006,760
Fund raising	8,048	12,401
Other revenue	487,293	1,050,606
	18,127,101	28,387,838
29. Investment revenue		
Interest revenue		
Bank	533,847	1,142,759
Interest charged on trade and other receivables	25,370,634	20,043,551
	25,904,481	21,186,310

The amount included in Investment revenue arising from exchange transactions amounted to R 25,904,481.



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30. Property rates		
Rates received		
Residential	21,395,680	16,164,114
Commercial	9,417,291	9,346,534
State	5,921,386	2,834,749
Small holdings and farms	10,531,324	13,282,425
Less: Income forgone	(3,605,537)	(1,821,161)
	43,660,144	39,806,661

Valuations

Residential	2,607,225,900	2,607,225,900
Commercial	954,812,830	954,812,830
State	497,088,760	497,088,760
Municipal	306,911,400	306,911,400
Small holdings and farms	3,889,505,680	3,889,505,680
Vacant Land	193,729,616	193,729,616
Other	6,844,000	6,844,000
	8,456,118,186	8,456,118,186

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

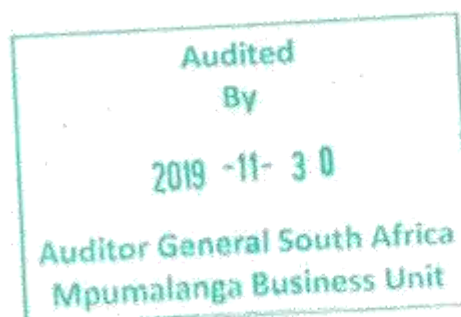
31. Licences and permits (non-exchange)

Licences and permits 1	33,042,516	-
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During the year, the Municipality recognised the amount owed to the Department of Community, Safety and Security of R33,042,516 as revenue. In August 2015, the office of the Premier of Mpumalanga Province passed a resolution wherein the function of Licensing was taken from Mkhondo Municipality back to the Provincial Department. It was resolved that the amount owed by the Municipality be written off.

32. Grants and subsidies paid

Other subsidies		
Equitable share	3,473,151	5,473,471



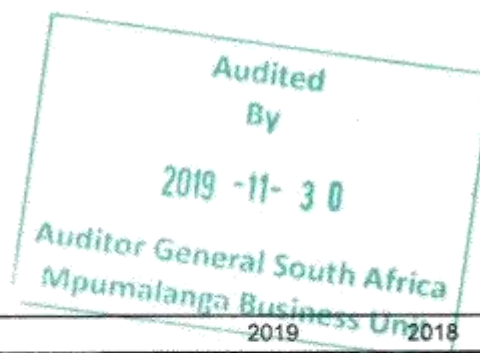
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33. Government grants and subsidies

Operating grants

Equitable share	209,448,000	186,451,100
Finance management grant	2,215,000	2,145,000
Local government sector education and training authority	565,314	161,287
Expanded public works programme incentive grant	2,281,000	3,350,000
	214,509,314	192,107,387

Capital grants

Municipal Infrastructure Grant	76,735,000	102,215,000
Water Services Infrastructure Grant	35,218,760	34,781,240
Integrated national electrification programme	27,000,000	-
	138,953,760	136,996,240
	353,463,074	329,103,627

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	138,953,760	82,422,541
Unconditional grants received	214,509,314	192,107,387
	353,463,074	274,529,928

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 259 (2018: R 242), which is funded from the grant.

Municipal infrastructure grant (MIG)

Current-year receipts	76,735,000	102,215,000
Conditions met - transferred to revenue	(76,735,000)	(102,215,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The municipality has outstanding projects relating to Municipal Infrastructure Grant funding which are yet to be completed. The conditions of the projects are directly in-line with the DORA requirements. The Municipality has committed the unspent portion of the Grant to projects. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish. An amount of R76,735,000 (2018: R102,215,000) of the Municipal Infrastructure Grant was expended on Infrastructure capital projects.

Financial management grant (FMG)

Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,215,000)	(2,145,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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33. Government grants and subsidies (continued)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. An amount of R2, 215,000 (2018 - R2,145,000) was used during the period.

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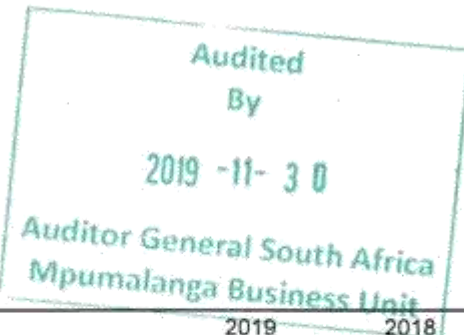
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33. Government grants and subsidies (continued)

Local government sector education and training authority

Balance unspent at beginning of year	333,732	126,488
Current-year receipts	323,982	368,531
Conditions met - transferred to revenue	(657,714)	(161,287)
	-	333,732

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce. Provide explanations of conditions still to be met and other relevant information. An amount of R657,714 (2018 - R161,287) was expended during the period.

Conditions still to be met - remain liabilities (see note 16).

Integrated national electrification programme

Balance unspent at beginning of year	10,000,000	4,000,000
Current-year receipts	13,000,000	10,000,000
Refund of amount previously withheld by National Treasury	4,000,000	-
Conditions met - transferred to revenue	(27,000,000)	-
Repaid to National treasury	-	(4,000,000)
	-	10,000,000

Conditions still to be met - remain liabilities (see note 16).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Integrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Expanded public works programme incentive grant

Current-year receipts	2,281,000	3,350,000
Conditions met - transferred to revenue	(2,281,000)	(3,350,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent jobs. An amount of R2,281,000 (R3,350,000) was used during the period.

Water Services Infrastructure Grant

Balance unspent at beginning of year	218,760	-
Current-year receipts	35,000,000	35,000,000
Conditions met - transferred to revenue	(35,218,760)	(34,781,240)
	-	218,760

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33. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 16).		
The Water Services Infrastructure Grant is used for the construction of the Sewer Package plant in Haartebeesfontein and Rustplaas. During the period an amount of R35,218,760 (2018 - R34,781, 240) was used on the project.		
34. Public contributions and donations		
Gert Sibande District Municipality	695,600	29,141,392
Reconciliation of conditional contributions		
Current-year receipts	695,600	29,141,392
Conditions met - transferred to revenue	(695,600)	(29,141,392)
	-	-

Conditions still to be met - remain liabilities (see note 16)

During the 2018/19 financial year, the District Municipality handed over certain projects which it funded on behalf of the Mkhondo Municipality. The projects were handed over at the end of the financial year.

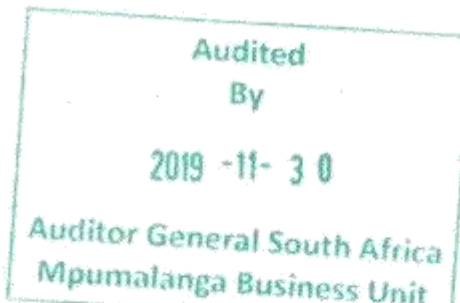


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35. Employee related costs

Basic	105,437,930	98,567,788
Bonus	8,173,608	8,292,643
Medical aid contributions	7,907,751	6,176,444
Unemployment insurance fund contributions	817,244	793,344
WCA	434	-
Skills Development Levy	1,319,230	1,246,042
Leave pay provision charge	665,488	2,838,900
Pension fund contributions	22,233,129	19,388,837
Subsistence and other allowances	5,372,932	5,180,918
Overtime payments	11,563,995	10,794,578
Housing benefits and allowances	1,713,210	1,202,425
Standby	8,248,549	7,565,966
	173,453,500	162,047,885

Listed below are remuneration of key employees. Their remuneration is included in employee costs disclosed above.

Remuneration of municipal manager

Annual Remuneration	1,018,221	823,942
Other allowances	45,169	220,010
Contributions to UIF, Medical and Pension Funds	144,790	114,333
	1,208,180	1,158,285

Mr M. Kunene who is the Municipal Manager served for the whole year to 30 June 2019.

Remuneration of Chief finance officer

Annual Remuneration	819,837	422,299
Other allowances	37,302	279,148
Contributions to UIF, Medical and Pension Funds	141,025	107,314
	998,164	808,761

Mr B. Maseko who is the Chief Financial Officer served for 12 months up to 30 June 2019.

Remuneration of General Manager - Planning and Development

Annual Remuneration	818,992	94,786
Other allowances	37,302	33,200
Contributions to UIF, Medical and Pension Funds	140,836	5,364
	997,130	133,350

Mr L. Motloung who is the new GM Planning and Development served for the 12 months to 30 June 2019.

General manager - Corporate services

Annual Remuneration	739,904	405,085
Other allowances	37,302	60,818
Contributions to UIF, Medical and Pension Funds	150,631	74,833
Leave Gratuity	141,079	-
	1,068,916	540,736

Mr M Thabede served for 12 months to 30 June 2019.

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35. Employee related costs (continued)

General manager - Technical services

Annual Remuneration	755,482	-
Other allowances	37,302	-
Contributions to UIF, Medical and Pension Funds	131,346	-
	924,130	-

The GM Technical Services Ms Z. Lugongolo served for 12 months to 30 June 2019.

General manager - Community Services

Annual Remuneration	864,996	94,281
Car Allowance	37,302	28,744
Contributions to UIF, Medical and Pension Funds	95,809	12,399
	998,107	135,424

Mr V Khumalo is the ne General Manager Community Services and he served for 12 months to 30 June 2019.

36. Remuneration of councillors

Executive Major	847,409	859,069
Chief Whip	702,565	649,031
Speaker	540,105	690,502
Councillors salaries	12,204,321	11,064,869
Councillors pension contribution	757,604	689,123
	15,052,004	13,952,594

37. Depreciation and amortisation

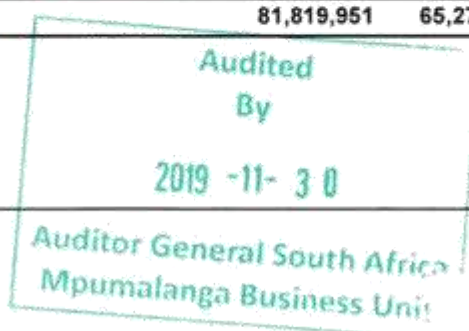
Property, plant and equipment	136,727,239	131,023,751
Investment property	278,681	903,552
Intangible assets	33,450	97,249
	137,039,370	132,024,552

38. Finance costs

Trade and other payables	15,676,319	13,342,678
Finance leases	292,269	-
Current borrowings	717,453	44,789
Other interest paid	1,632,325	1,269,011
	18,318,366	14,656,478

39. Debt impairment

Debt impairment on consumer debtors'	66,350,303	64,274,047
Debt impairment on traffic fines	15,469,648	1,003,586
	81,819,951	65,277,633



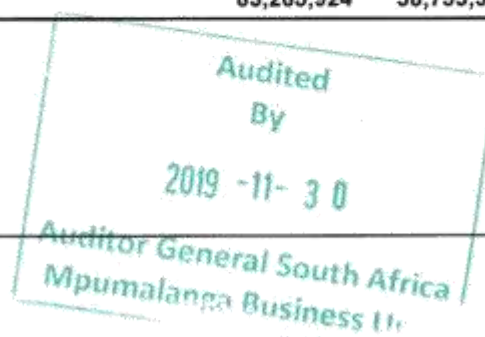
Mkhondo Local Municipality

(Registration number MP303)

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Figures in Rand	2019	2018
40. Bulk purchases		
Electricity - Eskom	125,772,188	116,534,843
Water	3,980,732	5,893,865
	129,752,920	122,428,708
41. Contracted services		
Outsourced Services		
Administrative and Support Staff	95,919	252,625
Business and Advisory	26,202,309	22,605,089
Professional Staff	66,575	594,291
Refuse Removal	515,414	469,053
Security Services	16,110,924	20,214,534
Consultants and Professional Services		
Auditors remuneration	4,994,032	3,955,239
Legal Cost	3,646,087	2,892,949
Contractors		
Catering Services	4,197,874	1,950,221
Electrical	648,929	619,858
Gardening Services	-	77,865
Maintenance of Buildings and Facilities	1,215,469	1,380,308
Maintenance of Equipment	19,923,609	12,670,899
Maintenance of Unspecified Assets	35,612,569	6,495,660
Safeguard and Security	1,002	1,135
Sports and Recreation	143,983	198,300
	113,374,695	74,378,026
42. General expenses		
Advertising	1,673,782	1,629,131
Bank charges	1,092,136	775,061
Commission paid	194,794	327,954
Consumables	23,467,069	14,584,402
Discount allowed	-	42,830
Donations	3,044,084	-
Insurance	4,935,723	5,059,915
Community development and training	1,761,507	270,920
Promotions and sponsorships	85,595	-
Printing and stationery	-	59,600
Protective clothing	5,014,421	3,318,142
Subscriptions and membership fees	1,446,109	2,301,088
Telephone and fax	7,006,833	4,084,998
Subsistence and travel	22,249,354	17,291,284
Training	3,650,006	2,628,532
Municipal services	5,768,951	1,422,658
Landfill sites provision	1,875,560	4,956,880
	83,265,924	58,753,395



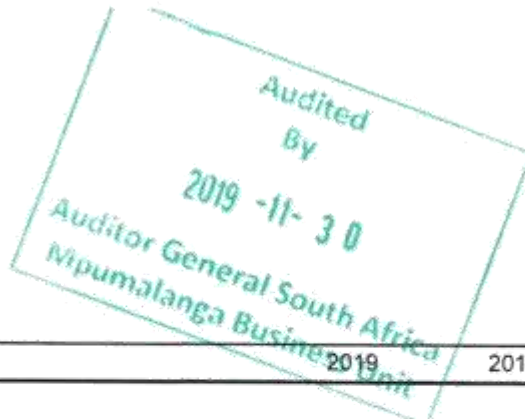
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43. Fair value adjustments

Biological assets - (Fair value model)	(6,050,911)	(7,109,129)
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	14,319	-
	(6,036,592)	(7,109,129)

44. Auditors' remuneration

Business and Advisory	4,994,032	3,955,239
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45. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	1,201,657	899,005
Lease rentals on operating lease - Other		
• Contractual amounts	3,829,274	3,809,580
	5,030,931	4,708,585

Gain on sale of property, plant and equipment	2,591,822	1,686,386
Gain on sale of investment property	611,798	57,821
Impairment on investment property	39,950	-
Amortisation on intangible assets	33,450	97,249
Depreciation on property, plant and equipment	136,727,239	131,023,751
Depreciation on investment property	278,681	903,552
Employee costs	188,505,504	176,000,479

46. Cash generated from operations

Surplus/(deficit)	(98,266,054)	(59,707,296)
Adjustments for:		
Depreciation and amortisation	137,039,370	132,024,552
Sale of assets and liabilities	(2,591,822)	(1,686,386)
Assets transferred to community for no consideration	40,899,661	-
Donated assets	-	(29,141,392)
Fair value adjustments	6,036,592	7,109,129
Impairment deficit	39,950	-
Debt impairment	81,819,951	65,277,633
Movements in retirement benefit assets and liabilities	2,872,708	3,976,784
Movements in provisions	3,507,885	6,225,891
Changes in working capital:		
Inventories	(1,185,148)	(2,549,087)
Receivables from exchange transactions	(448,073)	(222,561)
Consumer debtors	(64,207,548)	(68,690,364)
Other receivables from non-exchange transactions	(17,324,342)	(1,508,586)
Payables from exchange transactions	48,273,112	51,847,887
VAT	1,467,199	10,148,470
Unspent conditional grants and receipts	(10,552,492)	6,426,004
Consumer deposits	124,331	40,846
	127,505,280	119,571,524

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47. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	481,437	-	481,437
Trade and other receivables from exchange transactions	-	4,449,653	4,449,653
Other receivables from non-exchange transactions	-	3,899,700	3,899,700
Consumer debtors	-	39,550,224	39,550,224
Cash and cash equivalents	-	5,812,426	5,812,426
	481,437	53,712,003	54,193,440

Financial liabilities

	At amortised cost	Total
Other financial liabilities	5,000,000	5,000,000
Trade and other payables from exchange transactions	303,986,145	303,986,145
VAT Payable	17,992,338	17,992,338
Consumer deposits	3,675,400	3,675,400
	330,653,883	330,653,883

2018

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	465,325	-	465,325
Trade and other receivables from exchange transactions	-	4,001,580	4,001,580
Other receivables from non-exchange transactions	-	2,045,006	2,045,006
Consumer debtors	-	41,692,978	41,692,978
Cash and cash equivalents	-	3,443,923	3,443,923
	465,325	51,183,487	51,648,812

Financial liabilities

	At amortised cost	Total
Other financial liabilities	10,000,000	10,000,000
Trade and other payables from exchange transactions	255,893,651	255,893,651
VAT Payable	16,525,139	16,525,139
Consumer deposits	3,551,068	3,551,068
Unspent conditional grants	10,552,492	10,552,492
	296,522,350	296,522,350

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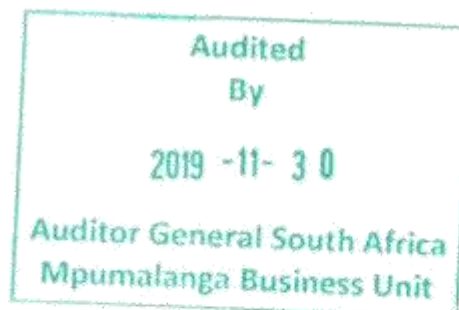
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Figures in Rand	2019	2018
48. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	58,741,660	156,710,161
Total capital commitments		
Already contracted for but not provided for	58,741,660	156,710,161
Total commitments		
Total commitments		
Authorised capital expenditure	58,741,660	156,710,161
<p>This committed expenditure relates to plant and equipment and will be financed by the Government through disbursements by National Treasury for various Infrastructure projects, available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.</p>		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3,796,457	1,662,300
- in second to fifth year inclusive	3,490,659	1,908,520
	7,287,116	3,570,820

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.



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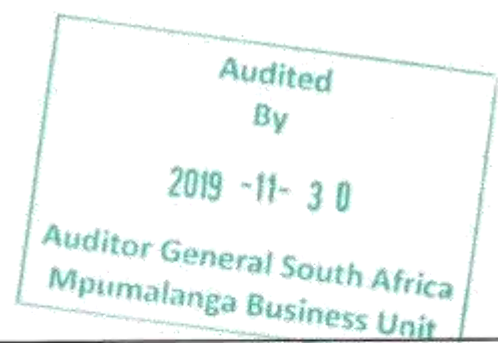
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49. Contingencies

Contingencies as at 30 June 2019

NAME OF CLAIMANT	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED	COMMENTS
Barek Management Consulting Services	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TMN Kgomo & Associates Incorporated	19148/2011/WD M	Claim A R 761 383.10 Claim B R 1 169 904.48	Pleadings have been closed and pre-trial conference to be held our attorneys have written a letter to plaintiffs' attorney to furnish us with three possible dates on which a pre-trial can be held.
Owethu Mkhondo Trading CCs Trading	The Plaintiff is suing the Municipality for the amount of R 21 277 570.63 for alleged breach of contract	TMN Kgomo & Associates Incorporated	46047/2014/WD M	R 21 277 570.63	The matter is trial ready, the pleadings in this matter are closed.
Pamoja TechnologiesP amoja Technologies	The plaintiff is suing the Municipality for the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TMN Kgomo & Associates Incorporated	15597/11/WDM	R 1 396 370.67	Our Attorneys contacted the Plaintiff Attorney to bring to their attention that the file has been unnecessarily pending on their side. Plaintiffs' Attorney informed our Attorney that the file was not assigned to anyone after Mr Dingiswayo left, and they shall take instruction from client and revert. Our attorney has further taken an initiative to uplift the court file however same could not be located at court. Attorney is following the matter up with both attorneys and court.
Busamasi Investments CC	A claim was instituted by the plaintiff for damages amounting to R588 842.62 following an alleged breach of contract by the municipality.	TMN Kgomo & Associates Incorporated	47483/2011/WD M	R558 942.62	The matter is in active, our Attorneys contacted the Plaintiff's Attorney and they indicated their intention to have the matter withdrawn. We await plaintiff's notice of withdrawal.

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49. Contingencies (continued)

Rethuseng Live Line Services CC	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant. The plaintiff is claiming an amount of R 4 846 015.42.	TMN Kgomo & Associates Incorporated	40779/2014/WD M	R3 249 044.	All pleadings have been served and parties discovered, matter is trial ready
LP De Beer	Mr De Beer has served Summons against the Municipality or the amount of R 470 000.00, stating that he has incurred damages to his motor vehicle resulting from the road and storm water drain which he was travelling on.	Mohlala Attorneys	20751/2015/WD M	R 470 000.00	The Counsel is waiting for the Plaintiff to enrol the application on the opposed roll for same to be argued
Bicacon (Pty) vs Mkhondo Municipality	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract. The plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Bulk line by Mega, which ceded their rights to the Municipality.	Mohlala Attorneys	87155/15/WDM	R 5 319 140.62	The attorney have proceeded to file a Notice ito Rule 30 and 30A has become apposed. We are currently waiting for a date from the registrar on the opposed roll

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49. Contingencies (continued)

P (Pty) Ltd Repairs Maintenance of HDV & Yellow Metal Fleet	The Municipality received notice and summons claiming the R736 975.99 for services rendered as per SLA.	MT SILINDA	5291/2016/BSX	R736 975.99	<p>During the course of litigation and vigorous consultations an offer of settlement was made to the Plaintiffs' attorneys as follows;</p> <p>1. Payment of the amount of R256 976.04. In January 2019, the Municipality was served Warrant of execution has been authorized by the Registrar obtained default Judgment was obtained on the 17 September 2018 for payment of the amount of R736 975.99 plus costs. Having regard to the above and the fact our attorney denied having received any papers from the plaintiff attorney or his correspondent deemed it more fit to proceed to court and apply for a stay in execution pending the launch of a comprehensive Application for Rescission of the Default Judgment together with the adverse and punitive costs orders granted. The Application was heard on the 26th of March 2019 and an Order was granted in favour of the Municipality. Our attorney is busy with the rescission in the matter and correspondent attorney will be joined in the application</p>
EPH Security	The Municipality received notice and summons claiming the 5 277 870.57 million for services rendered.	Madonsela Mthunzi Attorneys	331/2017/BSX	R5 277 870.57	Matter was heard on the 29 April 2019 and adjourn to allow the parties to exchange papers in a view of the application by plaintiff for amendment to be heard again on the 25/11/2019 for trial.

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49. Contingencies (continued)

Madubula Joseph Solly	The Municipality received notice and summons claiming the of R2.2 million to compensate the claimant for loss suffered as the result after his contract has been terminated	Madonsela Mthunzi Attorneys	2017/BSX	R2 200 000	The pleadings in this matter are closed, the matter is currently ready for trial.
Jacobs MME Bredenham	The Municipality received summons claiming R8568.90. Plaintiff hit the pothole and his motor vehicle got damages	Mthunzi Madonsela Attorneys	230/2017/BSX	R8 568.90	The plaintiff has applied for joinder parties to the pleadings, joining the Department of Public Works, which application have been consented to.
Ideal prepaid Action matter	Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract	Madonsela Mthunzi Inc. Attorneys	732/2018/BSX	R32 089 340.00	The Municipality has requested financial statements from the Plaintiff before we can plead but the plaintiff has since refused to provide such. The Municipality brought an interlocutory application, requesting the Court to compel the Plaintiff to provide it with statements. Municipal Attorneys consulted with advocate and concluded that the heads of arguments will be served and filed by the 22 nd Feb 2019
Mnisi Solomon Jabulani Gomu	The Mkhondo Local Municipality received summons from the Plaintiff alleging that he had been arrested and detained by the traffic officers of the Mkhondo Local Municipality, he is therefore claiming an amount of R 850 000.00	Mohlala Attorneys	8550/2017/BSX	R 850 000.00	The Defendant's special plea and plea has been served and filed accordingly and the matter is currently at discovery stage

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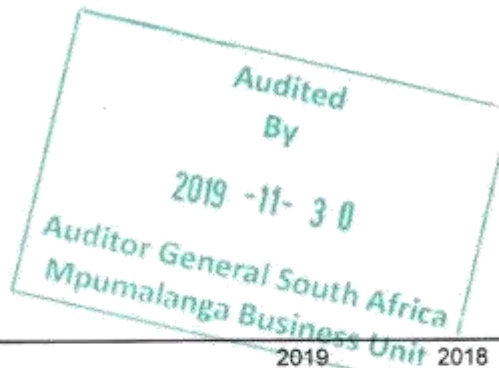
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49. Contingencies (continued)

Vorster Andries Wilhelmus Jacobus	The Plaintiff is suing the Mkhondo Local Municipality in the amount of R 25 000.00 for a once off gratuity equal to three months pensionable salary, the Plaintiff was a councillor at the Municipality.	Mohlala Attorneys	367/2015/BSX	R 25 000.00	The Plaintiff's attorney have since withdrawn from the matter
Olivier AJ/Olivier J.F.B/Methodist Church of Southern Africa/Eilfiland Nursery school and day care centre vs Mkhondo Local Municipality	The Municipality received Notice of Motion and was cited as the third respondent, as the first and second applicants are objecting to the granting of permission to use a church situated next to their property as a day care centre known as the Eilfiland Nursery School. They are alleging that the first applicant is bio-polar and the immense noise and screaming of children will affect her condition. The Court granted the interdict in their favour. The Municipality has since received an appeal application from Eilfiland Nursery School. The appeal is still on processes	Mohlala Attorneys	44205/2018/BSX	Specific performance	Appeal application process is still on going.
Dawson and Dobson (Pty) Ltd vs Mkhondo Local Municipality	The Mkhondo Local Municipality received summons from the Plaintiff alleging that we breached the verbal agreement, he is therefore claiming an amount of R 253 461.90 and R4 442.551.39 and costs	Mohlala Attorneys	1755/2018/BSX	R 253 461.90 and R4 442.551.39	We have since consulted with our attorney of record to enter the appearance to defend. A Notice ito Rule 7(1) has been file and awaiting defendants reply

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49. Contingencies (continued)

Municipal Workers Retirement Fund Mkhondo Municipality	The Municipality received an urgent application seeking compliance with the provisions of section 13 A of the PFA application is brought in two stages, Fund seeks the order S 13 A (2) of PFA also an order compelling the Municipality to make payment to the fund of all the outstanding contributions payable to the fund	Madonsela Mthunzi Attorneys	1781/2018/BSX	Specific Performance and monies	We have since consulted with our attorney of record to file our opposing papers. We are struggling with to get proof of payment as they are needed in resolving the matter.
Copasize (Pty) Ltd	The Municipality received a Notice of Motion from Copasize (PTY) Ltd represented by Casaletti Incorporated, after the Municipality cut off their power supply at Erf 246 in Amsterdam, which is within the Jurisdiction of the Mkhondo Municipality. The Notice was to interdict the Municipality from cutting power supply and further directed the Municipality to restores power supply at the above mentioned Erf.	Madonsela Mthunzi Inc Attorneys	312/19/BSX	Specific Performance and monies	The Court set the matter down on the opposed roll for the 7 th of May 2019. Matter was struck off the roll.

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49. Contingencies (continued)

Vorster and Vorsetr /Mkhondo Municipality	The applicants file for the Notice to compel the Municipality to comply with procedures provided for in section 178 of The Spatial Planning and Land Use Management by-law and enforce non-compliance with the notices it issued against the first, second and third respondents to cease their business activities on the property described as portion 61, farm Welgekozen 514, Mkhondo, Mpumalanga	Madonsela Mthumzi Inc Attorneys		Specific Performance and monies	The attorneys have filed rescission of judgement. Matter was initially enrolled on the unopposed roll but they have filed opposing papers thereafter the matter has been removed from unopposed roll to opposed roll.
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Contingent assets

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideals prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality requested the assistance of Mthunzi Madonsela Attorneys pertaining a matter whereby Mr R Lewis was charged with Fraud and suspended, the judgement was given by the presiding officer for Mr Lewis to be reinstated, the Municipality then requested Mthunzi Madonsela for a legal opinion with regard to setting aside the decision of the presiding officer. The counsel appointed managed to draft a legal opinion and the matter is still pending as a decision has not been taken.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.

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50. Related parties

Relationships

Accounting Officer
Mr. M. Thabethe
Mr. B. Maseko
Mr. V. Khumalo
Mr. L. Motloung
Ms Z. Lugongolo
National Treasury

Refer to accounting officer's report note
Section 56 Manager
Section 56 Manager
Section 56 Manager
Section 56 Manager
Section 56 Manager
State controlled entity

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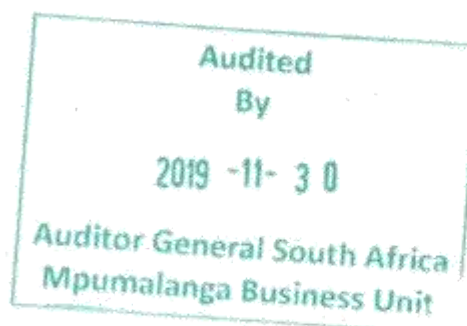
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50. Related parties (continued)		
Related party balances		
Loan accounts - Owing (to) by related parties		
National Treasury	-	(552,492)
TWK Agriculture	(5,000,000)	(10,000,000)

The amounts owed to National Treasury are in respect of grants allocated to the Municipality and were unspent at the reporting date. The TWK amount is a short term loan which is due and payable by July 2019. The amount bears interest at 11.25% per annum fluctuating compounded on a daily balance outstanding and capitalised on the expiry on the facility. Should the Municipality fails to settle the facility by the expiration date, a penalty fee of 7% plus standard bank prime rate shall be payable on the amount outstanding. The amount is secured over certain compartments of plantations.



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50. Related parties (continued)

Remuneration of management

Mayoral committee members

2019

Name	Basic salary	Other short-term employee benefits	Total
Cllr V. Motha	685,395	221,929	907,324
Cllr J. Mnisi	424,695	266,251	690,946
Cllr. T. Khumalo	488,595	203,378	691,973
Cllr. D. Twala	551,344	140,175	691,519
Cllr. M.L. Yende	454,573	237,008	691,581
Cllr. T.G. Nkosi	435,613	298,507	734,120
	3,040,215	1,367,248	4,407,463

2018

Name	Basic salary	Other short-term employee benefits	Total
Cllr. V. Motha	682,642	176,428	859,070
Cllr J. Mnisi	417,898	230,977	648,875
Cllr. T. Khumalo	475,759	174,182	649,941
Cllr. D. Twala	545,224	104,243	649,467
Cllr. M.L. Yende	422,803	226,228	649,031
Cllr. T.G. Nkosi	429,343	261,159	690,502
	2,973,669	1,173,217	4,146,886

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50. Related parties (continued)

Councillors/Mayoral committee members

2019

Name	Basic salary	Other short-term employee benefits	Total
Mayoral committee members	3,040,215	1,367,248	4,407,463
Councillors	7,865,465	2,779,076	10,644,541
	10,905,680	4,146,324	15,052,004

2018

Name	Basic salary	Other short-term employee benefits	Total
Mayoral committee members	2,973,669	1,173,217	4,146,886
Councillors	7,801,581	2,004,127	9,805,708
	10,775,250	3,177,344	13,952,594

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51. Prior period errors

The prior period adjustments relate to a physical asset verification that was performed in June 2019 which resulted in prior period adjustments.

Asset verification

The Municipality reassessed and adjusted the useful lives of certain property and equipment carried at zero net carrying amount, that were determined to be still in use.

The Municipality also identified errors in the allocated useful lives of certain property and equipment as the useful lives allocated did not correctly reflect the length of time the assets can reasonably be used to generate income and be of benefit to the Municipality.

The Municipality also identified land and buildings which were incorrectly classified as property and equipment instead of investment property, as well as an unrecorded transaction relating to investment property. Adjustments have been made to the account balances affected. The correction of this error has been applied retrospectively.

During the physical verification there were assets that were identified on the floor and could not be traced or linked due to the insufficient documentation in the old fixed assets register. There were also assets that were in the old fixed asset register which could not be linked to the assets found on the floor.

The reason why it was impractical to quantify and restate years prior to the 2017 financial year are listed below:

- Those assets were identified as a result of a verification that was performed in the 2019 financial year.
- All attempts to link the assets to line items that were in the existing asset register (e.g. by description, location, serial number) were not successful.
- There is no documentation available to assist in determining when the assets were acquired.

Certain compartments of plantations were incorrectly valued as at 30 June 2018. A new valuation was performed on the plantations that resulted in the value of the plantations increasing from R30,052,809 as previously reported to R52,575,159.

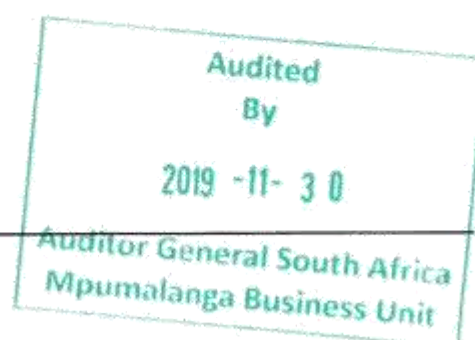
52. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Change in accounting policy	Restated
Investment properties	9	76,575,000	-	(56,252,706)	20,322,294
Property plant and equipment	10	1,601,489,441	37,517,000	-	1,639,006,441
Accumulated surplus		(1,530,160,905)	18,927,541	-	(1,511,233,364)
		147,903,536	56,444,541	(56,252,706)	148,095,371



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52. Prior-year adjustments (continued)

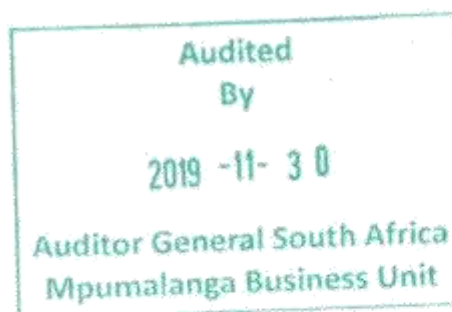
2018

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Investment properties	9	76,575,000	-	(57,156,257)	-	19,418,743
Property plant and equipment	10	1,547,016,943	108,862,025	-	-	1,655,878,968
Biological assets	8	30,052,809	22,522,350	-	-	52,575,159
Intangible assets	11	118,571	(26,583)	-	-	91,988
Payables from exchange transactions	19	(264,956,089)	-	-	9,062,446	(255,893,643)
Receivables from exchange transactions		3,064,028	-	-	937,554	4,001,582
Unspent conditional grants		(552,492)	-	-	(10,000,000)	(10,552,492)
Accumulated surplus		(1,377,324,539)	(74,201,528)	-	-	(1,451,526,067)
		13,994,231	57,156,264	(57,156,257)	-	13,994,238

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Fair value adjustments		29,631,479	(22,522,350)	-	7,109,129
Contracted services		46,559,488	-	27,818,538	74,378,026
General expenditure		86,579,295	(7,362)	(27,818,538)	58,753,395
Depreciation		202,025,795	(70,001,243)	-	132,024,552
Surplus for the year		364,796,057	(92,530,955)	-	272,265,102



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53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited to the Municipality's management thereof.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality management of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	5,000,000	-	-	-
Trade and other payables	325,653,882	-	-	-
Lease liabilities	2,314,789	2,693,544	2,305,630	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10,000,000	-	-	-
Trade and other payables	286,522,350	-	-	-

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53. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Investments	481,437	465,325
Receivables from non exchange transactions	3,899,700	2,045,006
Receivables from exchange transactions	4,449,653	4,001,580
Cash and bank balances	5,812,424	3,443,923
Consumer deposits	39,550,225	41,692,978

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. To decrease interest rate risk exposure, investments is mostly done on a term not longer than six months. The current interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	39,550,225	-	-	-	-
Trade and other payables - extended credit terms	11.50 %	325,653,882	-	-	-	-
Other financial assets	6.00 %	42,272	439,165	-	-	-
Financial liabilities	11.25 %	5,000,000	-	-	-	-
Lease liability	15.00 %	2,314,789	2,693,544	2,305,630	-	-

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

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54. Unauthorised expenditure		
Opening balance as previously reported	230,673,181	454,837,409
Opening balance as restated	230,673,181	454,837,409
Add: current year - unauthorised expenditure	256,242,032	230,673,181
Less: Amount written off - prior period	-	(454,837,409)
Closing balance	486,915,213	230,673,181

The unauthorised expenditure as at 30 June 2019 is currently under investigation by MPAC.

Unauthorised expenditure: Budget overspending – per municipal department

Budget & Treasury	44,411,670	-
Executive and Council	-	135,732,916
Planning and Development	-	504,465
Water	-	34,916,685
Community and social development	30,684,420	27,479,803
Corporate department	1,678,393	-
Technical department	179,467,549	32,039,313
	256,242,032	230,673,182

The unauthorised expenditure as at 30 June 2019 is currently under investigation by MPAC.

55. Fruitless and wasteful expenditure

Opening balance as previously reported	13,420,539	41,576,354
Opening balance as restated	13,420,539	41,576,354
Add: Current year fruitless and wasteful expenditure	17,238,719	13,420,539
Less: Amount written off - prior period	-	(41,576,354)
Closing balance	30,659,258	13,420,539

The fruitless and wasteful expenditure as at 30 June 2019 is currently under investigation by MPAC.

56. Irregular expenditure

Opening balance	30,712,824	376,577,809
Opening balance as restated	30,712,824	376,577,809
Add: Irregular Expenditure -current year	32,036,822	30,712,824
Less: Amount written off - prior period	-	(376,577,809)
Closing balance	62,749,646	30,712,824

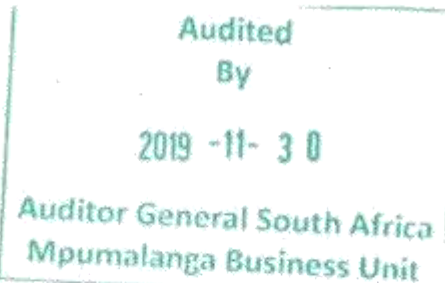
The Irregular expenditure as at 30 June 2019 is currently under investigation by MPAC.

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57. Additional disclosure in terms of Municipal Finance Management Act

Material losses

2019

Electricity losses for the current year amounted to 32% i.e. R40,369,130. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 22% i.e. R616,862. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

2018

Electricity losses for the current year amounted to 37% i.e. R42,404,706. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses. Nonrevenue water i.e. non billed water amounted to 31% i.e. R1,271,460. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	3,355,037	550,494
Current year subscription / fee	4,994,032	3,955,239
VAT raised on invoices	767,958	549,363
Interest	404,875	-
Amount paid	(3,925,695)	(1,700,059)
	5,596,207	3,355,037

PAYE and UIF

Opening balance	2,088,355	-
Current year subscription / fee	27,511,178	25,183,385
Interest and Penalties	2,139,893	-
Amount paid - current year	(26,900,648)	(23,095,030)
	4,838,778	2,088,355

Pension and Medical Aid Deductions

Opening balance	3,168,208	-
Current year subscription / fee	40,607,318	37,391,773
Amount paid - current year	(40,361,708)	(34,225,565)
	3,413,818	3,166,208

VAT

VAT receivable	(61,153,762)	(23,501,234)
VAT payable	79,146,100	40,026,373
	17,992,338	16,525,139

VAT output payables and VAT input receivables are shown in note 20.

All VAT returns have been submitted by the due date throughout the year.

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57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. V. Motha	88	-	88
Cllr. Shelembe N.J.	779	7,010	7,789
Cllr. Ntuli. M.D	3,807	3,485	7,292
Cllr. Ntshakala D.M.	289	4,160	4,449
Cllr. Mthethwa F.C	344	3,469	3,813
Cllr. Mahlobo S.C	1,006	7,651	8,657
Cllr. Khumalo B.M	8,138	108,517	116,655
Cllr. Yende S.Z	725	4,056	4,781
Cllr. Nkosi T.B	563	-	563
Cllr. Makhathini J	1,539	15,321	16,860
Cllr. Ngobese D.L	1,149	4,364	5,513
Cllr. Mchunu B.J	1,394	8,486	9,880
	19,821	166,519	186,340

30 June 2018

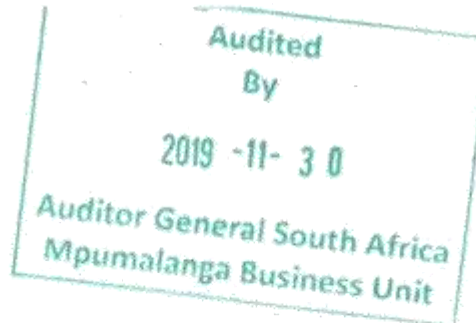
	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. V. Motha	(2,667)	-	(2,667)
Cllr. Z.J. Mnisi	2,155	-	2,155
Cllr. M.D. Ntuli	4,373	-	4,373
Cllr. D.M. Ntshakala	3,319	-	3,319
Cllr. F.C. Mthetwa	2,476	-	2,476
Cllr. N.N. Zulu	11,924	-	11,924
Cllr. S.C. Mahobo	5,542	-	5,542
Cllr. B.M. Khumalo	101,638	-	101,638
Cllr. S.Z. Yende	1,814	-	1,814
Cllr. T.B. Nkosi	276	-	276
Cllr. S.E. Mntshali	2,882	-	2,882
Cllr. J.P. Makhathini	8,648	-	8,648
Cllr. D.L. Ngobese	2,907	-	2,907
	145,287	-	145,287

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58. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following deviations were recorded during the year under review.

Deviations for the year ended 30 June 2019

Service provider	Service description	Contract price	Procurement date	Order number	Reason for the deviation
Government Printing Works	Gazetting of By-Laws (Revenue Section)	6,557.20	12/06/2019	026228	Section 40 of SCM Policy - Impractical / impossible to follow official procurement processes and Sole Service Provider relating to "Publication of notices and advertisements by the municipality where applicable legislation or council policy dictates".
Government Printing Works	Gazetting of By-Laws (Legal Section)	122,569.20	19/06/2019	026178	Section 40 of SCM Policy - Impractical / impossible to follow official procurement processes and Sole Service Provider relating to "Publication of notices and advertisements by the municipality where applicable legislation or council policy dictates".

Deviations for the year ended 30 June 2018

Service provider	Service description	Contract price	Procurement date	Order number	Reason for the deviation
Emalangen Technologies	UPS service for the sever room.	R 34,916.52	28/07/2017	026228	The Municipal Policy on Supply Chain Management states that all requirements above R30 000(Vat Incl.) must be advertised on the notice board for at least seven (7) Days. The unit did not observe the 7 days.
Kainos Investments (pty) ltd	Supply and Install Preprogramed Elster A 1700 multifunction KWH & KVA max Meter with GPRS/3G modem.	R 199272.00	13/07/2017	026178	Due to the emergency nature of this request to prevent the revenue loss of electricity by speedily procuring and installing the bulk meters on the identified major customers around town.

59. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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59. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source additional funding by increasing revenue base for the ongoing operations for the municipality.

On the 9th of November 2019, the municipality received correspondence from national treasury with the intention of invoking section 216(2) of the constitution due to failure to adopt a funded budget by the municipality for the 2019/20 financial year.

National and Provincial Treasury is assisting the municipality to develop a Financial Recovery Plan. The municipality has taken steps to rectify the problem by submitting all the information requested by national treasury. The municipality submitted the funded budget report and the council resolution to both National Treasury and Provincial Treasury on the 8th of November 2019. The municipality is working with Provincial Treasury to resolve the matter.

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